

Regimes of International Giving:
The Politics of Public and Private Foreign Assistance in the United States,
Britain, and Sweden

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Abstract

In 2014, the United States spent 0.19% of GNI on official foreign assistance, while private giving amounted to 0.13% of GNI. Whereas in Sweden, official giving was 1.1% and private giving was 0.003%. Most scholarship suggests that this variation demonstrates a general public preference for high government spending in Sweden versus a preference for a private solution in the United States. I challenge this claim, and argue that the spending patterns are only one expression of a deeper variation on the relationship between public and private foreign assistance. In all donor countries the public and private sectors of foreign aid are crucially linked; however, the form of the linkages – such as funding levels and autonomy of action – varies widely. For example, in Sweden, relief and development NGOs although dependent on the government for funds, have a surprisingly autonomous role. In Britain, the public and private aid sectors operate largely independently from each other, addressing different needs. And in the United States, despite comparatively large private funding, NGOs often have restricted autonomy and are highly dependent on official policy. This dissertation makes two key contributions: it theorizes the relationship between the public and private sectors of foreign assistance as a *regime of international giving*, and it explains the variation we observe on it as grounded in the historical development of domestic foreign aid institutions. I argue that domestic norms and beliefs about the role of charity at the time that countries created their official foreign aid institutions in the wake of World War II have deeply shaped their contemporary foreign aid regimes. These norms about the role of charity were institutionalized in a number of funding and regulatory institutions that defined how the public and private sectors of foreign assistance worked with each other.

Table of Contents

List of Tables	vii
List of Figures	viii
Chapter 1 – Introduction.....	1
Research Questions.....	1
Literature Review	7
Official Foreign aid	8
Humanitarianism	13
Philanthropy and the third sector.....	13
Welfare State	14
The Argument in Brief	15
Contributions	22
Research Method and Structure of the Dissertation	25
Method—“go back and look”.....	25
Case Selection	27
Definitions	29
Data	34
Structure of the dissertation.....	36
Chapter 2 – Regimes of International Giving.....	37
Regimes of international giving: A Theoretical Framework.....	38
Components of the regime of international giving.....	38
Effects of the regime of international giving – Compliance, opposition and subterranean politics	50
Theoretical contribution of the regime of international giving	52
Continuity and change of the regimes of international giving.....	56
Critical juncture—Creation of the modern foreign aid institutions in the wake of World War II	58
Continuity—Path dependent development of the regimes of international giving	64
Change.....	67
Conclusion	71
Chapter 3 – The regimes of international giving in three countries.....	72
United States.....	75
Public Foreign Assistance	75
Indirect government intervention in private spending	82
Private Spending.....	88
The U.S. Regime of International Giving—Compliance Politics	91
Britain	93
Public spending	93
Indirect government intervention in private spending	96
Private spending	108
The British Regime of International Giving—Opposition Politics	112
Sweden	113
Public Spending.....	113
Indirect government intervention in private spending	118
Private spending	122

The Swedish Regime of International Giving—Subterranean Politics.....	124
Conclusion	124
Figures.....	126
Chapter 4 – The U.S. Regime of International Giving – Compliance Politics	133
Domestic culture of compassion in the late 19th and early 20th century U.S.....	138
Domestic charitable giving.....	138
Overseas charitable giving	144
World War I—First attempts at co-opting private charitable giving	147
Tax policy for charitable giving – The Charitable Contribution Deduction (1917).....	151
Emergence of the contemporary U.S. regime of international giving.....	153
American charitable giving during World War II & government regulation of the charitable sector	153
Tax policy for charitable giving – The standard tax deduction (1944).....	164
Precursors to the Point Four Program	171
Post-World War II Foreign Assistance	173
Trajectories of change and continuity	178
Expansion of access to shipping subsidies and surplus commodities (1950s).....	179
AID and the Volagencies (1960s)	185
Matching Grants Program (1978).....	186
After the Cold War	186
Conclusion	187
Chapter 5 – The British Regime of International Giving – Opposition Politics	192
Domestic culture of compassion in the early 20th century Britain	194
Origins of the charities’ limitation to non-political work.....	194
The Golden Age of Victorian Philanthropy: Late 19 th and early 20 th centuries.....	197
Post-War Years:	200
Emergence of the contemporary British regime of international giving.....	203
Colonial Legacy: Pre-Official Foreign Aid.....	203
Creation of the Ministry of Overseas Development (1964).....	205
Trajectories of change and continuity	211
Voluntary Committee on Overseas Aid and Development—First coordinating body for work with the overseas charities	211
Joint Funding Scheme (1975).....	216
“Rolling back the state”.....	218
Staying power of the Charitable Trusts regulations: Second Round of Clashes with the Charity Commission.....	220
Increased cooperation between the charities and the government: Department for International Development (1997)	227
Conclusion	231
Chapter 6 – The Swedish Regime of International Giving – Subterranean Politics	233
Domestic culture of compassion in late 19th and early 20th century Sweden.....	240
Emergence of the Contemporary Swedish Regime of International Giving.....	245
Pre-official foreign aid	245
Central Committee for Swedish Technical Assistance to Less Developed Areas—1952 ..	247
Corporatism.....	253

First State Agencies for Foreign Assistance: Agency for International Assistance (1962) and the Swedish International Development Authority (1965)	257
Trajectories of Change and Continuity	260
Swedish Agency for International Technical and Economic Co-operation (BITS)—1975	261
Swedish International Development Cooperation Agency (Sida)—1995.....	267
Tax Deduction for Charitable Giving (2012)	269
Conclusion	272
Chapter 7. Conclusion	274
Contributions	278
Application to other donors	281
Implications	281
Bibliography	284

List of Tables

Table 2.1. Components of the regime of international giving	44
Table 2.2. Funding mechanisms and their effects on NGO dependence	49
Table 3.1. The regimes of international giving in three countries	74
Table 4.1. U.S. Government agencies regulating the PVOs through the years	191
Table 6.1. Twenty largest fundraising organizations in Sweden in 2012 and 2013	239

List of Figures

Figure 2.1. Theoretical argument of the development of the regime of international giving	70
Figure 3.1. Net official development assistance in OECD countries in 2014	126
Figure 3.2. Official development assistance as % of GNI in OECD countries in 2014	127
Figure 3.3. Private foreign assistance as % of GNI in OECD countries in 2013	128
Figure 3.4. Total official and private foreign assistance as % of GNI in OECD countries in 2013	129
Figure 3.5. Official foreign assistance as % of GNI in the U.S., Britain and Sweden, 1960-2014	130
Figure 3.6. Private foreign assistance as % of GNI in the U.S., Britain and Sweden, 1970-2013	131
Figure 3.7. UK charitable giving at a glance, 2004/05-2010/11	132

Chapter 1 – Introduction

Research Questions

In October 2001, former Secretary of State Colin Powell addressed the Foreign Policy Conference for Leaders of NGOs and said, “Just as surely as our diplomats and military, American NGOs...are out there serving and sacrificing on the front lines of freedom, NGOs are such a force multiplier for us, such an important part of our combat team” (Powell 2001). Two years later in 2003, former USAID administrator Andrew Natsios, expressed a similar sentiment while addressing NGO leaders at another forum, and said that NGOs and contractors “are an arm of the U.S. government”, and if they were not willing to follow U.S interests, USAID would find other partners. Such rhetoric is especially surprising given the large amount of charitable donations to which U.S. NGOs have access. And while the U.S. government is increasingly working with development NGOs as contractors, and asking them to bid for projects alongside for-profit development companies, the British government has moved towards co-funding projects that British development charities design, and places very little conditions on how the money is spent. The latest initiative that the Department for International Development (DFID) announced in 2011 is called UK Aid Match, and it allows British citizens to have a say in how some of the government’s international aid budget is spent. How are we to explain these differences? Why does the U.S. government treat NGOs as contractors, while the British government treats them as partners? And why are American NGOs for the most part compliant with such policies especially since they have access to

tremendous philanthropic resources?¹ I argue that we cannot explain this variation solely by looking at the current configuration of foreign policy interests, or the idiosyncratic nature of the Bush Administration producing the above statements. Rather, we need to examine the historical development of the relationship between the public and private sectors of foreign assistance. I argue that the politics we observe today are rooted in the creation of the modern foreign aid institutions in post-World War II period.

In the wake of World War II, international organizations raised awareness for the famines and poverty in post-war Europe and in the newly independent former colonies. They pushed countries to find a solution through international campaigns such as the work of the U.N Special Fund in the 1950s, and later the World Bank Pearson Report of 1968. Domestic actors also put pressure on their governments to respond to the need for development assistance. European countries and the United States created new institutions to fund and organize humanitarian and development assistance needed to respond to these problems. Beginning with the United States' Point Four Program in 1949 and ending with the Canadian International Development Agency (CIDA) in 1968, most countries in the OECD established new foreign aid agencies. However, countries did not create these new domestic institutions for foreign assistance on a clean slate – public *and* private arrangements for providing assistance abroad already existed. On the public side, countries had dabbled into official assistance in the form of small, geographically isolated programs. A key example is the U.S. Institute for Inter-American Affairs created in 1940 that funded and organized public health projects in Latin

¹ In 2013, U.S. relief and development NGOs collected \$22,579 million (0.13% of GNI) from private sources.

America. And equally importantly on the private side, a number of charitable organizations across Europe and the United States had been providing aid to the poor domestically but had also extended their reach abroad when famines and conflicts pulled at their heartstrings. Missionary societies in Britain and Sweden had done charitable work in the distant lands of empire long before states began to think about providing official assistance. Ethnicity-based organizations in the United States had collected and provided aid to the “old” countries since the 19th century.

An important issue that governments faced in the process of creating the new programs for foreign assistance was whether and how to work with the charitable organizations that had become key actors of relief delivery during the wars. When we compare how countries responded to this issue, we see clear differences in the extent to which public and private foreign assistance were understood to have the same functions, and in the extent to which the new official aid agencies worked with the charitable sector. In Britain, the first Ministry of Overseas Development proclaimed itself the champion of development, and relegated British charities to providing poverty relief. The upshot of this separation of functions was that the public and private sectors of assistance remained separate and did not work together until much later in the 1970s. In Sweden, by contrast, the government entrusted a committee of charities and missionary societies to design the first official Swedish foreign assistance program. The nonprofit sector was given an influential role in key decisions on foreign aid policy. The public and private sectors of assistance were understood to have the same goal and perform similar functions. In the United States, the federal government began working with the charitable sector relatively

early during World War II in the relief efforts for Europe. Because this initial cooperation occurred during wartime and under emergency law, the government heavily regulated the charitable sector. After the war, it moved quickly to preserve this regulatory environment and the high level of interconnectedness of the public and private sectors of foreign assistance. It made the charitable organizations subservient actors that work to fulfill its policies and objectives.

This study examines and explains the patterns and politics of public-private foreign assistance in the United States, Britain and Sweden. The analysis focuses on the role that ideas about what charity is – and should be – had in the creation of the first modern regimes of foreign assistance in the wake of World War II and the staying power of those institutional arrangements. I argue that how governments and NGOs work with each other varies significantly among donor countries. Despite similar pressures of austerity and the global reach of ideas of partnership with the non-profit and business sectors, the relationships between governments and NGOs are more different from each other than they are similar. I develop a framework to theorize these differences and the factors that produce them. I argue that to understand the politics of the relationship between governments and NGOs in relief and development, we need to examine a range of policy mechanisms that affect this relationship. I introduce the concept of *regime of international giving* to capture the multiples ways in which the work of governments and NGOs are intertwined. I argue that the current wave of promoting partnerships in the field of development and the possible shapes those partnerships can take depend to a

great extent on the fundamental nature of the existing relationship between the government and the NGO sector.

Tracing the development of the three regimes of international giving requires a historical perspective. Looking back at the “birth” of the modern foreign aid institutions allows us to examine the process through which prevalent domestic ideas about the role of charity were institutionalized and affected the relationship between public and private foreign assistance. Tracing the development of the institutions of foreign assistance allows us to analyze the effect that policy debates and decisions in one period had on the policy debates of future periods. This is not to say that the institutions and politics of foreign assistance in each country have remained the same since the mid-20th century. Rather, it is to emphasize that no country has at any point completely overhauled and changed its regime of foreign assistance since World War II. Even at critical moments like the end of the Cold War countries introduced reforms but had to forge these reforms in the context of existing domestic institutions, coalitions and preferences.

A historical perspective also allows us to understand how the key actors in foreign assistance have evolved over time (Morgan 2006). The organizations participating in foreign assistance changed throughout the period I examine. Faith-based organizations were key actors in the late 19th century and the early 20th century, and many of the ideas about charity emerged from these religious organizations. During the World Wars, some of the modern charities still existing today emerged on the scene (e.g., Save the Children, CARE). Gradually during the Cold War secular non-governmental organizations became the prominent actors in the private sector of assistance. And in the past two decades,

faith-based organizations have again become important players. There are also country-specific differences. Labor unions and youth groups were very active in the creation of the first Swedish foreign assistance program, and they were less so in Britain and even less in the United States. While these organizations are very different from each other, they are all similar in that they have all worked with their respective governments in the provision of foreign assistance. And for the most part governments have not distinguished in how they work with charities and faith-based groups, or NGOs and youth-groups.

Much has been written about the development of official foreign assistance programs, the role that security and economic interests play in the level of spending and geographic distribution of aid, and the motives behind it and its in/effectiveness. Very little has been written about the relationship between the public and private sectors of assistance of donor countries. Most scholarship treats the two sectors as independent of each other, working according to different logics. However, there are no theoretical reasons to believe that the public and private channels of providing foreign assistance are independent of each other. We do not think that the public and private mechanisms of providing health care, education or pensions as independent of each other. On the contrary, the relationship between the public and private provision of social services is the topic of many important studies of social policy (Hacker 2002, Morgan 2006). There is also empirical evidence of the connections between the two sectors: the tax incentives that governments provide for charitable giving, the direct funding NGOs receive from official foreign aid agencies, etc. It is equally important to note, however, that this

connection is not one of communicating vessels – we cannot easily substitute one for the other despite what some commentators might argue (Adelman, Norris et al. 2005, Adelman, Marano et al. 2012). Encouraging more private assistance does not make up for a cut in official foreign assistance. And generous official spending does not necessarily stifle private charity.

I argue that when we focus on just the public or just the private side we miss important ways in which the two sectors function together and affect each other. Moreover, when one sector is considered the residual of the other, we cannot fully understand the nature of their relationship. The two sectors and their key actors—the government and the NGOs—work together or side by side at many different levels—in generating public support for relief and development aid, in fundraising for relief and development projects, and in delivering assistance abroad—and have done so since before the inception of the first official foreign aid institutions. They are connected through a series of funding mechanisms such as government grants to NGOs, tax incentives for charitable giving, and regulations such as NGO operation guidelines. But these mechanisms do not necessarily make NGOs subservient to the government and not in the same way. In order to understand the politics between the two sectors we need to look deeper at the design and interactions of these mechanisms and policy instruments that dis/empower the two sectors vis-à-vis each other.

Literature Review

This research project combines insights from a few literatures in International Relations and Comparative Politics: the literatures on foreign assistance, humanitarianism, philanthropy, the third sector, and the welfare state. The policy world

has moved towards exploring further and further the possibilities for partnership between official foreign assistance agencies and NGOs, faith-based organizations, for-profit development companies, and business. The academic literature has been slow to systematically study the relationship between the public and private sectors of foreign assistance. Mostly, the subject is studied as a side issue in the analysis of one of the sectors. And very often the analysis has been limited to the direct funding that NGOs receive from governments. Because there hasn't been systematic analysis two diametrical arguments have dominated. The more cynical view understands NGOs as mere tools in the hands of governments with no independent voice. And the more optimistic view sees them as independent actors who do independent work and are supported by generous philanthropic giving. But there is no analysis of how this relationship may vary between countries, what role other institutions such as tax policies and regulations have, or how the broader culture of philanthropy in a country affects the relationship. My contribution to this discussion is to introduce a theoretical framework for understanding the relationship between the public and private sectors of assistance, and to offer an explanation for the cross-country variation we observe.

Official Foreign aid

The literature on foreign assistance is concerned primarily with what determines foreign aid spending levels and its geographical distribution (Imbeau 1989, Lumsdaine 1993, Hook 1995, Schraeder, Hook et al. 1998, Alesina and Dollar 2000, Lancaster 2007). It can be divided into three main branches: one focuses on security concerns and examines dyadic relations between countries, another focuses on the characteristics of the recipients, and the third on the characteristics of the donors. The first branch of the

literature studies the use of foreign aid as a foreign policy tool and points to the strong explanatory power of security concerns. One of the dominant explanations for the level and distribution of foreign aid spending (especially for the Cold War period) is the political, economic and/or security interests of the donor country (Hook 1995, Schraeder, Hook et al. 1998). These theories offer strong explanations for the geographic distribution of aid (e.g., most of U.S. aid flows to the Middle East; almost all of French aid goes to former colonies). In the second branch, those who study the recipients of aid point that some states look more attractive to donors than others. Alesina and Dollar argue that some donors respond more favorably to certain recipient characteristics such as market openness, progress towards democracy, successful institution building, former colonial history, and UN voting patterns (Alesina and Dollar 2000). They find that former colonies are more likely to receive aid not only from their former colonizers, but also from other donors. The third branch studies how the characteristics of donors affect the quantity and quality of aid. Breuning and Ishiyama measure the dispersion of foreign aid, “whether a donor state chooses to give a lot to a few or a little to many recipients” (Breuning and Ishiyama 2003). They find that a high proportion of parliamentary seats held by left parties in donor countries is correlated with more concentrated distribution of foreign aid. They refute the finding that colonial history determines the concentration of aid flows. Smillie and Minear study a number of domestic factors in donor countries that determine the size and type of foreign assistance: differences in policy formation mechanisms, historical factors such as colonial relations, interest groups and business, diasporas and activist groups, influential personas, the media (Smillie and Minear 2004).

Scholars have determined that countries vary widely on how much they spend on foreign assistance. For example, Scandinavian countries spend the largest percentage of GNI (i.e., adjusted for the size of their economies), and are the only donors who have met the UN spending target of 0.7% of GNI for aid. The United States, on the other hand, ranks at the bottom with one of the lowest spending levels among OECD-DAC² countries. (In real terms the United States is the top spender among OECD countries.) This literature has produced a series of rankings based on countries' generosity. Graphs as Figures 3.1 and 3.2 provide an example of this approach and the main focus on public spending. As such, this literature largely seeks to explain why some countries spend so much on foreign assistance while others spend so little. The question of official foreign aid's relationship to the private sector is present only to point out that some official funds are channeled through NGOs. A small subset of the literature has studied why the Scandinavian countries and Canada have such generous foreign aid allocations (as percent of GNI) despite the lack of strong strategic interests. In response to the weaknesses of the interest-based approach explain this question, scholars have turned to a normative and/or second image explanation of the variation of foreign aid. Some scholars have pointed to the role of the Scandinavian countries as norm entrepreneurs promoting a global norm of social protection. Christine Ingebritsen argues that Scandinavian states are

² The Organization for Economic Co-Operation and Development – Development Assistance Committee is the international organization in charge of setting the rules for ODA and collecting statistics on donor contributions. The members of the DAC are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxemburg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the UK, the United States, and the European Union.

norm entrepreneurs who “seek to export their [environmental, social and security] model abroad” (Ingebritsen 2002). She argues that the transfer of these domestic values to the international level is their “logical extension;” however, she does not explain the causal mechanism behind this extension.

In their attempts to explain the extraordinarily generous foreign aid budgets of the Scandinavian countries³, some scholars have studied the possible connections between a state’s commitment to provide welfare for its citizens and its commitment to provide aid to distant strangers. Most studies have concentrated on demonstrating that the pattern of welfare state models matches the pattern of foreign aid (e.g., Sweden spends more of its GNI on both welfare and foreign aid, while the United States spends a smaller portion of its GNI on both). In his influential text *Moral Vision in International Politics* (1993), David Lumsdaine finds evidence that generosity in foreign aid correlates with domestic generosity and argues that this relationship is explained by the public’s concern with eliminating poverty at both the domestic and the international level (Lumsdaine 1993). Lumsdaine’s main goal is to show that morals matter in international relations.

Alain Noël and Jean-Philippe Thérien pick up Lumsdaine’s lead, and in a series of articles they further explore the statistical correlation between welfare state and foreign aid spending. They have shown that in Canada the welfare state model correlates with the amount of foreign assistance. They argue that “welfare states institutionalize distinct

³ This initial focus on the Scandinavian countries has led to a tendency in the literature on the normative underpinning of foreign aid patterns to back itself into a “Nordic ghetto” (Peter Baldwin (1990) coined the phrase in his description of the proponents of the power resource approach to the creation of the welfare state (8)): studies overemphasize the dynamics of the Scandinavian aid and as a corollary position the Scandinavian foreign aid model as the ideal model of foreign aid to which no other country can live up to.

conceptions of justice” that are transplanted to the international level and determine how generous a state is in both welfare and foreign aid spending (Thérien and Noël 1995). They base their argument on Esping-Andersen’s classification of welfare state regimes and evaluate Canada as a hybrid between the liberal and the social-democratic models. The country has a high score on the socialist category in Esping-Andersen’s classification, and this explains why Canada is the most generous among the low foreign aid spenders. In another article Thérien and Noël generalize this finding to all OECD countries and conclude that the level of generosity that a government has towards its own citizens shapes its foreign assistance policies. Thus, being generous in official development aid is an extension of the domestic value of justice (Thérien and Noël 1994). This set of studies does an excellent job of demonstrating the puzzle of spending correlations, but it is very weak at illuminating the causal mechanisms that link the welfare state institutions and official development assistance. It is not clear from their analysis whether there are pre-existing values that determine the levels of both domestic spending and foreign aid, or whether welfare institutions produce a value that then influences foreign aid spending (Thérien and Noël 1995). The studies also do not deal with the fact that the foreign aid spending patterns do not match up well with the welfare state regimes. Canada has a liberal welfare state regime, but its foreign assistance spending is closer to the Scandinavian model. In this dissertation, I do not seek to explain the high spending on foreign assistance in Sweden, however I indirectly contribute to the question of inquiry in this research area by showing that the causal arrows do not run from welfare state institutions to foreign assistance institutions. Rather, domestic norms

about the ideas of charity that preceded both sets of institutions affect the relationship between the public and private sectors of assistance.

Humanitarianism

Another body of literature examines the characteristics of privately funded foreign assistance, and in particular humanitarian aid (Barnett 2005, Barnett and Weiss 2008, McCleary 2009, Barnett 2011, Stroup 2012). This literature focuses on the characteristics of humanitarian NGOs, the transformation the field has undergone towards further professionalization and bureaucratization, the politics within the humanitarian field, and the outcomes of their work. These studies are concerned with the work of NGOs as international actors, and do not systematically examine their relationship with their home governments. Recent work by Sarah Stroup (2012) argues that while many of the humanitarian and development NGOs are international actors, they have domestic roots that affect how they function both in their domestic political contexts and in the international arena. For example, OXFAM was founded in Britain and it has remained primarily a British organization and then a relief INGO (Stroup 2012). Stroup examines the effect that the domestic charitable models in which these relief and development organizations affect their work as international actors. In this research project, I explain how countries have arrived at these contemporary charitable models and examine in greater depth the relationship of the NGOs with their national governments.

Philanthropy and the third sector

I rely extensively on the large literature on the third or voluntary sector in the American and Comparative politics subfields for understanding the regulatory and tax contexts in which NGOs function (James 1989, Randolph 1999, Ott 2001, Scrivner

2001). Many of these studies have emerged from the analysis of the U.S. non-profit sector, and therefore many of the theories are based on the historical development and experience of American non-governmental organizations. They often begin from the assumption that civil society organizations emerge when the government fails to provide services. The research done at the Johns Hopkins Comparative Nonprofit Sector Project remedies this problem and offers a series of in-depth country studies. However, it is important to note that relief and development NGOs even though they share the national regulatory and tax contexts with NGOs providing services domestically, the former have an added set of regulatory mechanisms because their work is seen to influence the foreign policy of the country. Furthermore, because they work to improve the lives of distant strangers in distant lands, their position in the domestic philanthropic sector is not identical to the position of nonprofit organizations dedicated to domestic causes. Relief and development NGOs serve two masters – they are regulated as domestic non-profit organizations and they are also treated as actors in foreign policy.

Welfare State

In his seminal text *The Three Worlds of Welfare Capitalism*, Esping-Andersen developed a theory of the expansion of the welfare state and a classification of three welfare state regime types—liberal, corporatist, and social democratic (Esping-Andersen 1990). While the typology has weathered many criticisms for not accounting for the variation within the regime types, mis-categorizing countries, and being gender-blind, and many have questioned whether it still applies 25 years later, it has proved a useful tool in analyzing trends in social policy in the OECD (Arts and Gelissen 2002). Esping-Andersen argues that the regime types emerged out of the historical struggles and

coalitions between social classes during the industrialization period and matured in the post-World War II era. They achieve different levels of de-commodification, the extent to which people can “make their living standards independent of pure market forces,” and different levels of universalism, the degree to which the benefits of the welfare state are spread widely to all citizens or are concentrated in a selected few (Esping-Andersen 1990: 3). The regime types are not based solely on the amount of money governments spend on welfare programs; rather, the kind of programs that states fund is equally determinant of the regime type as the amount of spending. For example, Austria has a typically high public expenditure budget, but the recipients of a large portion of the funds are a small number of privileged civil servants (Esping-Andersen 1990: 19). While the regimes have undergone some transformations since the 1980s, the reforms have been restricted by the existing institutional arrangements (Pierson 2001).

This typology of the welfare state does not match up with the variation I observe in the regimes of international giving. In the welfare state typology, the United States and Britain are in the same liberal world, but their regimes of international giving are more different from each other than they are similar. Esping-Andersen’s concept of regime has been useful, however, in thinking about the public and private sectors of foreign assistance as interwoven and the regime as sticky. I elaborate on the concept of regime of international giving and how it is rooted in the concept of the welfare state regime in the next chapter.

The Argument in Brief

I argue that the variation in the regimes of international giving observed in the United States, Britain and Sweden are historically produced, and that in order to

understand the development of the relationship between the public and private sectors of foreign assistance it is important to examine the period when the institutions of foreign aid were built in the post-World War II period, and how these institutions have produced feedback effects that have reproduced the nature of this relationship in the years since then. This is a two-step historical institutionalist argument with an ideational dimension. In the first step, I argue that in the post-War period of break-up of empires and dire need for relief and development countries were faced with the need to invent a modern regime of foreign assistance—a new way to administer help to poorer countries. An important decision that all donor countries faced in this institution-building period was how—and whether—to incorporate the private voluntary organizations (missionary societies, churches, and charities) that had already been providing assistance abroad in the work of the new official foreign aid programs. I further argue that the manner and the extent to which the private voluntary organizations were brought into the work of the new government programs depended on the existing domestic norms about the role of charities in the provision of assistance and the relative strength of their sector. In the second step of the argument, I contend that the outcome of this juncture—how the private voluntary organizations were brought into the work of governments in foreign assistance—produced feedback effects that have preserved the nature of the relationship between the public and private sectors of foreign assistance through the years since then.

World War II not only brought about tremendous physical and emotional destruction, but it also fundamentally changed the international political context. One of the key features of the international context of the time was the immense need for relief

and reconstruction of Europe and economic development of the former colonies. But there were yet no large-scale institutions—either domestic or international—to provide for such assistance. The United States and the European countries following in its steps invented modern development assistance. There were no rules for how to give development aid, and there were no institutions like the OECD-DAC that monitored how much was given and in what ways. “Development aid” was a new spending category for which there needed to be found space in the budget; and new institutions needed to be built to administer it. The newness of this endeavor and the uncertainty among donors of how best to organize aid were visible in the fact that many countries looked at each other to see how other donors had organized development aid so far. For example, Britain commissioned a study of the co-funding schemes for NGO work that Sweden and the Netherlands had developed (National Archives OD 25/210).

Of course, this was not the first instance of transfer of resources from rich to poor countries. The former colonial powers had previously transferred limited resources to their colonies to facilitate the extraction of resources. But they did not know how to do so in the new context of newly independent states and complicated relations of dependence. Britain and the other colonial powers did not begin their relationships with the recipients of foreign aid from scratch, but the colonial relationship did not perfectly transpose itself onto the new donor-recipient relationship either. In fact, these relationships were consciously and purposefully refashioned and recreated to reflect the new international and domestic contexts. Some aspects of the colonial relationships endured, but others changed. And foreign assistance was at the crux of the negotiation of these relationships.

Non-colonial powers as well had had previous experience of sending missionaries and/or technical assistance to (very often) the same countries as the colonial powers. The United States had a history of financing technical assistance projects in Latin American, and Sweden had sent missionaries and given loans to Ethiopia since the 1860s. But none of these countries could continue to provide assistance and transfer resources in the same old ways in the aftermath of World War II and the new post-colonial context.

The U.S. and European governments created new ministries and agencies to manage this new endeavor of modern foreign assistance. Because of the level of uncertainty and absence of defined rules for foreign assistance at the time, the early stages of building the modern foreign aid regime were more open to a variety of institutional possibilities. But critical junctures are not completely open, and the decisions made in these moments were not made for random reasons. One of the important decisions that governments needed to make in the process of setting up the new ministries and programs of foreign aid was how and whether to work with the private voluntary organizations that had already been providing relief and development since the late 19th century and had become prominent relief providers during World War II. The governments of the United States, Britain and Sweden made very different choices on this question. I argue that the key determining factor for how governments worked with the private voluntary organizations in these early years of establishing the modern foreign aid system was the existing norm about the role of charity and the relative strength of the overseas charitable sector.

In the United States, charities were seen as contributing to the same goals as government work. There was no understanding of separation of goals or abilities. Therefore, it was possible for the U.S. government to harness the private sector during the World Wars, and impose strict wartime regulations on the multitude of private voluntary organization that emerged in the relief efforts for Europe. The regulations the government imposed consolidated and strengthened the private aid sector, but those results came with strong government oversight. There was more room for working together than there was in the UK, but because the NGOs were brought into the fold early and before they could develop independently the government treated them as subsidiary actors.

When in 1964 the British government created the Ministry of Overseas Development, charities were thought to provide poverty relief only while the sphere of development was the purview of the government. This norm stemmed from a 17th century regulation that charities were not to do any political work (e.g., campaign for political changes) and that their work was to provide relief only and not to change the conditions producing poverty. The Charity Commission had been making sure that charities follow these rules since 1853. As a consequence of this norm the roles (and goals) of the public and private sectors of foreign assistance were seen as strictly separate. The new ministry did not establish formal channels for coordination or funding the British charities in overseas development. There was no cooperation between the official foreign aid program and the charities until the mid 1970s. Thus, the private sector of foreign assistance in Britain remained autonomous in this early stage of the development of the

relationship between the public and private sectors of foreign assistance. And since it did not receive any government funding for its work, it worked to build strong support from the British public. By the time it began working with the Ministry in more substantive ways, the charities have developed into a strong, independent sector that could successfully raise substantial amounts of money through charitable giving.

The Swedish government created the first state agency for development in 1962, but at that time it had already been sponsoring a quasi-official foreign aid program through the Central Committee for Swedish Technical Assistance to Less Developed Areas since 1952. This Central Committee consisted of representatives of the major Swedish NGOs, missionary societies, trade unions, free churches, and youth groups, and it was charged with the task to develop the new Swedish foreign aid program. The private sector of foreign assistance in Sweden was given an important seat at the table; this strong position allowed the sector to shape the new foreign regime more so than the private sectors were able to do in the United States and Britain. It also allowed it to solidify its strong role as a partner to the government and helped it preserve its autonomy even when it received most of its revenue from the government. These different approaches to working with the private sector of assistance in the early years affected how the relationship between the public and private sectors developed in the subsequent periods.

The second step of my argument is that the outcomes of the critical juncture (i.e., how the private sector was incorporated into the work of the new government programs) have affected how the relationship of the two sectors has developed since then. In other

words, the development of the relationship between public and private assistance has developed in a path-dependent way. Institutional mechanisms of reproduction made radical change difficult. The major characteristics of the relationship between the public and private sectors of foreign assistance have remained fairly stable through the years since then. In the United States, the tight regulations in conjunction with generous supply of funding have kept NGOs in a subsidiary position. In Britain, the regulatory power of the Charity Commission allowed—and ensured—for the idea that charities were not to do any political work to survive long after it did no longer fit the actual work of the charities. Even when charities no longer believed that their role is limited to alleviating poverty, the Charity Commission had the power to limit how they could use government funding (in line with the no political work norm). The regulation that the British government has imposed on the charities has been to maintain this separation of roles, and has otherwise stayed out of their work. Because the charities had developed a strong base of support in the early years they could push back on some of those regulations and achieve some gradual reforms. In Sweden, the NGOs had used their initial position to create a political space for themselves that has allowed them to maintain their position as a strong, independent lobby despite their financial dependence on the government. I do not argue that the relationship between the two sectors has remained the same since the post-War period. Rather, I argue that the change of this relationship has been “bounded” (Pierson 2000).

The end of the Cold War was another important juncture in the development of the relationship between public and private assistance. But when the Cold War ended—

just like in the post-World War II years—the relationship between the two sectors did not reset itself to zero. By that time a number of ways in which they worked together had developed. Countries did not disband their ministries of foreign assistance.

Contributions

This project makes two key contributions: it theorizes the relationship between the public and private sectors of foreign assistance as a *regime of international giving*, and it explains the variation we observe on it as grounded in the historical development of domestic foreign aid institutions. I argue that domestic norms and beliefs about the role of charity at the time that countries created their official foreign aid institutions in the wake of World War II have deeply shaped their contemporary foreign aid regimes. These norms about the role of charity were institutionalized in a number of funding and regulatory institutions that defined how the public and private sectors of foreign assistance worked with each other. Over time, feedback mechanisms such as tying government funding to registration requirements and tax incentives for charitable giving reproduced the relative power positions of the public and private sectors embedded in the foreign aid institutions at the moment of creation.

Examining the relationship between the public and private sectors of foreign assistance cannot be timelier. Despite—and some would argue precisely because of—decades of development programs and campaigns, global hunger and poverty continue to be serious problems. The increasing pressures of climate change would only worsen the situation, and the seemingly constant financial crises make it harder to devise long-term strategies. In the wake of the Great Recession, developing countries hit the hardest by the economic crisis need foreign aid more than ever. At the same time, most foreign aid

donor countries are facing severe domestic spending cuts and are considering whether they can afford to keep their aid commitments. Can aid spending continue to be ring-fenced in Britain? Can the United States afford not to cut its aid budget in the face of the current budget deficit? No donor country has drastically cut its aid spending yet, but many governments have taken steps to prove to their domestic publics that foreign assistance is needed and that they are spending the money in efficient ways. In the past few years we have heard multiple calls from governments and intergovernmental organizations alike for increased reliance on private philanthropy and have witnessed the beginning of many partnership initiatives. One of the leading ideas emerging from these discussions is partnership with a variety of actors in the development community: partnership with the business sectors, with NGOs, with faith groups, with local governments, with social entrepreneurs. In June 2012, USAID held the forum “The New Frontiers,” at which representatives from the state, non-profit and for-profit development sectors met to discuss the new challenges at hand and come up with new solutions. Working with the business sector has emerged as one of the key solutions for dealing with the new development challenges. The British government as well has touted the benefits of partnerships in development in recent years. In December 2011, it announced a partnership with the emerging powers and increasingly influential aid donors Brazil, China, India and Mexico. And in June 2012, it announced a new initiative for partnership with organizations across the faith spectrum and a white paper “Faith Partnership Principles.”

Partnership might seem like the new buzzword in development, but working with non-state actors is not at all novel. Colonial governments worked closely with missionary societies and private capital companies in the exploration of new territories and the extraction of their resources. During the two World Wars, the U.S. government provided free freight shipment to American voluntary organizations providing emergency relief in Europe, and the original CARE packages sent in 1946 to France were surplus U.S. Army “10-in-1” food parcels (Campbell 1990). In the 1950s, the Swedish government worked closely with charities and missionary societies in setting up the first official foreign aid program. During the 1980s and at the height of neoliberalism’s pressures to cut spending, governments turned once more to public-private partnerships in both the provision of welfare services domestically and in the provision of foreign assistance abroad. In the early and mid 1990s, the OECD-DAC sponsored a number of conferences and workshops to encourage and establish the best practices of government-NGO partnerships.

And while many governments engage in partnerships with non-state actors, these partnerships rarely look the same from one donor country to the next. The U.S. government engages differently with development NGOs than the British government does. For example, DFID introduced a new initiative in 2011 called UK Aid Match, in which it matches pound-for-pound funds collected by NGOs from private donations for development projects. The program’s intention is to channel official development aid to NGOs and projects popular with British citizens. DIFD has thus moved away from tightly controlling the work of NGOs and has given them the opportunity to strengthen their

support from the British public. On the other hand, the partnership agreements that USAID has with NGOs are framed in terms of grants and contracts, and their purpose is the advancement of USAID's objectives. The U.S. government most often seeks subcontractors, not partners. Understanding this variation is important; the relative power between the two sectors determines to what extent aid is the end policy of foreign assistance policy and to what extent it is a means to a broader foreign policy agenda. Research has shown that when NGOs have more influence over the process of policymaking on foreign assistance aid is more need-based and less strategic (cite). My dissertation shows that these differences are path-dependent and can be best explained by examining the historical roots of the relationship between the two sectors of foreign assistance and the domestic norms of charity.

Research Method and Structure of the Dissertation

***Method—"go back and look"*⁴**

The research questions I pose inquire about the *process* of institutional development of the regimes of international giving in the United States, Britain and Sweden, and the historical institutionalism approach I employ requires close attention to the timing and sequence of the studied events.⁵ Therefore, the project requires a methodology sensitive to the historical dimension built into the questions and the path dependence logic of the argument. I employ a combination of within-case process-tracing analysis of the development of the regimes of international giving in the three countries,

⁴ Advice Paul Pierson (2000) gives to researchers adopting the historical institutionalist approach.

⁵ I elaborate on the appropriateness of the historical institutionalism approach for this project in Chapter 2. Here I discuss my choice of method, and the case selection and data gathering strategies.

and a focused comparison of the cases. The combination of within-case analysis and cross-case comparison reduces the risk of inferential errors by providing two different logics of inference (George and Bennett 2004). In this section, I elaborate on the logic and advantages of these two parts of the analysis.

Within-case process-tracing constitutes the greater portion of my analysis: each of the country chapters offers a detailed tracing of the institutional development of the regimes of international giving of one of the case studies (United States, Britain and Sweden). Process-tracing is a method especially suitable for making causal inferences on the basis of a small number of cases. It is used to “identify the intervening causal process—the causal chain and causal mechanism—between an independent variable (or variables) and the outcome of the dependent variable” (George and Bennett 2004). Closely tracing the process of how countries have arrived at their current regimes of international giving helps eliminate other potential causes, and thus evaluate the competing explanations. This fine-grained historical approach allows for careful examination of both the domestic and international contexts of each country at the time of the creation of the modern foreign aid institutions.

To understand how the two sectors of foreign assistance have co-evolved in each country I analyze multiple instances of the relationship between the government and the NGOs within each case: during the creation of the first foreign aid agencies in the wake of World War II and at multiple tension points since then. I have selected key moments of institutional building and/or major shifts in the international context because these are times of greater possibilities for reform and change. This strategy increases the number of

observations as King, Keohane and Verba would advise (King, Keohane et al. 1994).

However, it is important to note that these observations are not independent from each other (as observations are in variable-centered research) (George and Bennett 2004).

Rather, it is the fact that the steps in the process are causally linked that propels the explanation forward. Process-tracing is therefore the only method that can evaluate the presence or absence of path dependence. Narrative process-tracing allows for an intricate understanding and theorization of the causal links between the events in a path dependent process.

At the end of each empirical chapter, I employ a focused cross-case comparison to draw out the differences and similarities between the three cases and further specify the argument. The comparison of the institutional development processes in the three countries helps me develop a typology of the regime of international giving (George and Bennett 2004). The comparison of the processes, which begin with the critical juncture, allows for increased variation and thus gives the analysis more leverage (Capoccia and Kelemen 2007). While the two steps of the analysis are complementary to each other in the project, they are analytically separate because they follow different logics of causal inference.

Case Selection

The central question of this project is about the relationship between the public and private sectors of foreign assistance. I have selected cases that offer variation on this variable in its most simple representation—the ration between public and private spending. Figure 3.4 in Chapter 3 shows that variation. In 2013, the United States spent 0.19% of its GNI on foreign assistance, while private spending for foreign aid amounted

to 0.13%. Britain spent 0.71% of GNI on official aid, and 0.04% of GNI on private assistance. And Sweden spent 1.1% of GNI and 0.003% of GNI through official and private spending respectively. As I discuss in more detail in Chapter 2, the spending levels ratio is only one dimension of the relationship. I develop the concept of regime of international giving which theorizes this relationship beyond the spending levels. The United States, Britain and Sweden vary on these dimensions. Chapter 3 presents this variation in detail.

The three countries have also been three of the most important donors of foreign aid in the 20th century, and are therefore politically important cases to explain. The United States was the first to create an official foreign aid regime and is the largest donor today. Britain has a strong colonial past and this has played an important role in the decisions that it has made about foreign aid. Sweden is an important donor of foreign aid in that it presents itself—and to a great degree others perceive it in this way—as a model for how much aid should be given and how it should be distributed. It claims to give aid where it is most needed without tying it to strategic and economic interests. The comparison between the development of the U.S. and British regimes of international giving is especially valuable because the two countries are often cited as sharing a cultural and political tradition but their regimes of giving look very differently. Both countries underwent similar neoliberal policy trends under Reagan and Thatcher in the 1980s, but the relationships between the public and private sectors of foreign assistance did not converge. This provides evidence of the stickiness of the regime of giving.

The three countries did not create their modern ministries of foreign aid at the exact same time. The United States created its first agency of foreign aid first in 1949. Sweden made the first steps towards setting up an agency in 1952, and the first state agency was established in 1962. And Britain followed last with the creation of the Ministry of Overseas Development in 1964. Even though the three countries did not begin the process of building their modern foreign aid regimes at the same time, it is fruitful to analyze and compare these moments of creation. As I discuss above and in Chapter 2 in more detail, the process tracing method and the historical institutionalist approach allow for careful examination and parsing apart of the effects that the different international contexts (i.e., early years of the Cold War vs. ten years into it) and any political learning that occurred between the countries. In other words, even though the “births” of the three regimes of international giving were spaced apart in the span of more than a decade, I can treat those moments as comparable by carefully tracing the influence that the different international contexts had on actors’ preferences and decisions.

Definitions

Here I provide definitions of the main variables of this project—official foreign aid and private foreign aid. Official foreign aid and official development assistance (ODA) are used interchangeably in the literature. The official definition of development assistance provided by OECD-DAC is “flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount)” (Organisation for Economic Co-Operation and Development 2003). Official foreign aid can be either bilateral (aid given

directly to the recipient country) or multilateral (aid given to international organizations). Increasingly bilateral aid is channeled through NGOs, both ones from the donor and the recipient country. Official foreign aid funds long-term projects such as building infrastructure (e.g., roads, dams), agriculture projects (e.g., irrigation systems), education initiatives (e.g., schools, training programs), health care (e.g., nurse training programs), etc. Humanitarian assistance is a sub-category of ODA that is given for “emergency and distress relief,” and it is understood to provide short-term assistance.⁶ Humanitarian assistance provides emergency food aid and health care, refugee aid, etc. A country’s spending on foreign aid is measured as a percent of GNI; this measure (as opposed to spending expressed in real terms) adjusts for the size of a donor country’s economy and thus makes comparisons between countries’ spending levels meaningful. More importantly, it expresses the level of giving relative to the capacity to give. In most cultures and religious traditions charitable donations are measured against the capacity to give, not in absolute terms (e.g., tithe and zakat are expressed as a portion of income). This definition of official foreign assistance excludes some financial flows between countries. Funding that benefits the donor more than it benefits the recipient is not considered aid. For example, lending by export credit agencies for the promotion of

⁶ Governments and NGOs have different accounting arrangements for the two types of funding. Governments report their spending on humanitarian aid as a distinct sub-category of ODA. Most NGOs report funding received for development and humanitarian aid in separate categories, and many NGOs raise funds solely for humanitarian aid (e.g., Doctors Without Borders). However, the distinction between the two categories has become increasingly harder to sustain in the context of “complex emergencies” and long-term humanitarian crises.

exports does not count as ODA because it does not satisfy the concessional requirement described above. The definition also does not include aid to other “developed” countries.⁷

Private funding is the second main source of foreign assistance. It is measured by the amount of money (as percentage of GNI again) that NGOs, charities, faith-based organizations, foundations, etc. raise through charitable contributions for their projects abroad and/or administrative costs. These funds are separate from what these organizations receive from government agencies and international organizations. For example, grants that World Vision International receives from USAID are not counted as private funding, but rather as official funding. Accounting for private funding for aid and development is not as accurate as it is for public funding. However, international organizations and national aid agencies have continuously improved on how much of the private flows for foreign assistance they can account for. In part this is due to the fact that most government aid agencies require detailed revenue reports from NGOs and faith-based organizations that are registered with the agencies and/or compete for government grants. Since in recent years more and more NGOs are seeking government funds, the registries contain the majority of NGOs (both domestic and international) active in the foreign aid field in each donor country. The OECD-DAC compiles annual statistics on grants by NGOs based on reporting from the national foreign assistance agencies (e.g.,

⁷ This definition and what falls within it have changed over time. For example, the Marshall Plan to Europe was considered foreign aid in the late 1940s, but aid to European countries today would not count as foreign aid. European Union development funds to EU member states are not considered foreign aid even though they fund similar activities (e.g., infrastructure projects).

USAID, DFID). Of course there are informal private donations that remain unaccounted for despite these regulatory efforts. For example, donations made for emergency relief abroad through spontaneous collection drives at churches might not be accounted for with the greatest precision. However, the amount of such spontaneous donations is fairly small compared to the funds collected by faith-based organizations or churches with established relief and development programs.⁸

In many developing countries, remittances surpass the amount of official and private foreign aid they receive from donor countries and international organizations. Some observers of the phenomenon argue that remittances should be considered a part of the total foreign aid amount a donor country provides, and they estimate remittances out of the United States to be about \$95.8 billion for 2010 alone (Adelman, Norris et al. 2005, Adelman, Marano et al. 2012). Even though remittances are considered a private source of funding for aid and development, I do not include them in the private funding analyzed here. Remittances are defined as money sent by migrant workers in developed countries to relatives and/or friends in their home countries. While this is not the only channel for remittances, and in recent years there has been an increase in funds flowing through community associations, individual donors sending money “back home” remain the dominant type of remittances (Newland, Terrazas et al. 2010). The reason for excluding remittances from this study is that they are given through family and kin networks, and in that sense they do not contain the aspect of philanthropic giving for

⁸ Most of the money churches collect from their congregations is used for church maintenance or community projects. The small amounts that are collected spontaneously for emergency relief do not compare to the large amounts that faith-based organizations dedicated to relief and development collect.

“distant strangers” that private contributions to NGOs and faith-based organizations contain. This is not to say that remittances are not an act of giving, but rather that they are different from the common definition of charitable giving as a donation that “benefits others beyond one’s own family” (Bekkers and Wiepking 2011).

As I mentioned above, I examine a variety of nonprofit organizations involved in foreign assistance throughout the second half of the 20th century (charities, NGOs, unions, faith-based organizations). Different types of organizations were the primary actors in the nonprofit sector of foreign assistance throughout the years. Faith-based organizations were the primary charitable organizations in all three countries until World War II, and have once again become key actors in the field in the recent decade. NGOs as we know them today became prominent players during World War II and continued to be key throughout the second half of the 20th century. In Sweden, trade unions and youth organizations were the main players in the 1950s and 1960s, but have gradually been replaced by associations. In addition to the historical variation, these organizations go by different names in the three countries I study. In the United States, they are referred to as private voluntary organizations (PVOs), third-sector organizations, or simply nonprofits. USAID defines a PVO as “a tax-exempt, nonprofit organization that solicits and receives cash contributions from the general public and conducts, or anticipates conducting, international program activities that are consistent with U.S. Foreign Policy objectives” (U.S. Agency for International Development 2012). In Britain, they are referred to as charities or voluntary sector organizations. In Sweden, they are called associations (*föreningar*) and foundations (*stiftelser*). Despite this historical and country variation,

however, there is some continuity in how the nonprofit sector of foreign assistance has interacted with the public sector. I further argue that we see the emergence/strengthening of the for-profit organizations in the United States in part because of the ways the public sector has interacted with the NGOs, charities, etc. previously. In the empirical chapters, I distinguish between the different types of nonprofit organizations important for the discussed time period, and I refer to the organizations with their country-specific names. In the first three chapters and the conclusion, I use the term non-governmental organization (NGO) when making the theoretical argument about the relationship between the entire sector of these organizations and official foreign assistance. The term is not perfect and conceals some of the cross-country and historical variation. However, it is also useful in distinguishing all these organizations from the government institutions and the for-profit organizations involved in foreign assistance.

Data

This project combines detailed within-case historical analysis with cross-national comparative analysis. I analyze a wide selection of primary and secondary documents. I conduct an extensive analysis of archival materials such as government and NGO records, and other publicly available documents such as reports, newsletters, datasets, and media sources. I draw on the memoirs and biographies of key figures in the government and NGO community. I use the existing research on official foreign aid, humanitarian assistance, and post-World War II domestic politics in the United States, Britain and Sweden.

While it is fairly easy to determine how much governments spend on foreign assistance due to centralized accounts keeping and the work of a number of international

organizations dedicated to collecting data on government spending (e.g., OECD-DAC, UN, EU), there are competing estimates of these private contributions to foreign assistance. This difficulty of accounting is due to two reasons: 1) it is harder to precisely estimate how much money flows through NGOs and charities because some of the funding is informal (e.g., spontaneous church donations for an emergency), and 2) some organizations and agencies include volunteer time and in-kind contributions in their calculations of foreign assistance and others do not (e.g., some think tanks give a monetary value to volunteer hours, and others do not). Luckily for researchers, the trends towards professionalization of the NGO community and increased reporting requirements have improved the data available on private spending for foreign assistance. The OECD-DAC calculates the most accurate estimate of the amount of private flows for foreign assistance from DAC donors. The statistic contains both grants made by voluntary agencies (e.g., NGOs, charities, churches, etc.) and private flows at market terms (e.g., direct investment, export credits, bank bonds, etc.). For the purposes of this project and following the definition of charitable giving as a donation that “benefits other beyond one’s own family” set out earlier in this chapter, I consider only the grants by voluntary agencies portion of the total private flows to be private foreign assistance (Bekkers and Wiepking 2011).

One of the dimensions of the regime of international giving is the size of the charitable contributions for foreign assistance in relation to the entire charitable sector of the country. I use a number of indexes and surveys compiled by international organizations, governments, and a number of think tanks to get at that dimension.

Together these different measures give us a composite picture of the level and characteristics of the private contributions to foreign assistance. Because some charitable organizations collect money for both domestic and international causes, there is potential for some “bleeding” between the giving categories (especially between religious and international giving). The data-collecting research centers have minimized this risk by categorizing giving by the purpose for which it is given and not by the purpose of the organization that has collected the money. For example, funds given to the Catholic St. Elizabeth Hospital are categorized as health care giving rather than religious giving.

Structure of the dissertation

In the next chapter, I develop the argument presented here in further detail. I introduce a theoretical framework for thinking about the relationship between the public and private sectors of foreign assistance as a regime of international giving. And in the last section, I explain how I use the insights of the historical institutionalism approach. Chapter 3 builds on this theoretical framework and elaborates on the contemporary variation between the regimes of international giving in the United States, Britain and Sweden. In chapters 4, 5, and 6, I trace the historical development of the regimes of international giving in the three countries, and I offer cross-case comparisons. In chapter 7, I reflect on the broader implications of this project for our understanding of foreign assistance. I examine the normative and policy implications of the empirical findings. In the current climate of budget tightening and calls for austerity, foreign assistance is in an especially vulnerable position. The need for foreign assistance is growing at the same time as the budget cuts extend their reach. In this chapter I also discuss the possibilities for reform of these regimes.

Chapter 2 – Regimes of International Giving

In this chapter I develop a framework for understanding the relationship between the public and private sectors of foreign assistance in the United States, Britain and Sweden. I do this by theorizing this relationship as a *regime of international giving*, which consists of three components: public foreign assistance, government intervention in private foreign assistance (i.e., regulation and tax policies), and private foreign assistance. I then construct a typology of the regimes of international giving of donor countries based on these three components and the type of politics that these institutional configurations produce. I argue that we can best explain the variation of the regimes of international giving by examining the normative circumstances surrounding the creation of the countries' foreign aid institutions in the wake of World War II and their subsequent historical development from that crucial starting point.

The chapter proceeds as follows. In the first section, I develop the concept of regime of international giving. I discuss what constitutes the regime, how it varies between the three countries studied here, and the type of politics that characterize the regime of each country. In the second section, I provide an overview of the main concepts of the historical institutionalism approach (critical juncture, path-dependence, and gradual institutional change), and discuss how I apply its analytic insights to the research questions at hand. Then, I develop a set of arguments guiding my analysis of continuity and change of the regimes of international giving in the United States, Britain and Sweden. In the conclusion of the chapter, I discuss the application of the theoretical framework to a broader number of cases and some of its limitations.

Regimes of international giving: A Theoretical Framework

In the introductory chapter, I presented evidence of the variation of the relationship between public and private foreign assistance in the United States, Britain and Sweden. A systematic analysis of how the relationship of the public and private sectors of foreign assistance varies across countries reveals some unexpected findings. For example, the common perception of the U.S. relief and development NGO sector as vibrant, independent and reliant on the extraordinary generosity of common people falls apart when we consider the extent to which it is regulated by the federal government and dependent on preferential tax treatment. On the other hand, we often think of Swedish foreign assistance as government-dominated and a crowded-out NGO sector. However, when we look deeper into the relationship between the government and Swedish NGOs, we see that the NGOs have maintained an unexpected level of autonomy from the government. These brief examples demonstrate that the relationship between the public and private sectors of foreign assistance varies considerably between donor countries, and that this variation goes beyond the amount of money that flows through each of the two sectors. Here I develop a framework for understanding this variation by theorizing the relationship between the public and private sectors as a *regime of international giving*.

Components of the regime of international giving

In his analysis of the development of public and private social benefits in the United States, Jacob Hacker argues that we cannot understand the politics of public social benefits like healthcare and pensions without analyzing how they are interwoven with the private provision of these benefits (Hacker 2002). He develops the concept of a public-private welfare regime, which contains public social programs, private social protections,

and indirect government interventions in the provision of private protection such as tax policies and regulation. I begin with Hacker's two insights that a focus on government spending levels in a certain policy area is too narrow, and that we also need to examine *how* the money is spent. I develop a framework for understanding the relationship between public and private foreign assistance as a *regime of international giving*, which "opens up" the spending levels and examines the relationship between the key actors of the two sectors and the institutions that shape their relationship.

I adopt Hacker's definition of regime: "an enduring configuration of institutions and policies that are closely interconnected, exhibiting shared aims and characteristics and evolving in tandem over long periods of time," and I apply it to the field of foreign assistance (Hacker 2002). I define the regime of international giving as a set of interconnected policies and institutions of public and private foreign assistance that have co-evolved over time. With this definition I emphasize that the regime of international giving encompasses a broader configuration of interlocking public and private institutions beyond the spending levels on which the existing literature has tended to focus. This includes institutions from both the public and private sectors of assistance: the official foreign aid agencies, tax incentives for charitable giving, relief and development NGOs and charities, umbrella organizations coordinating the network of NGOs, etc. These institutions are *interwoven* in ways that produce qualitatively different politics between the public and private sectors of foreign assistance in a donor country. The definition also emphasizes that these institutions and policy configurations *endure* over time. In other words, the regime does not change easily or frequently, and endures changes of the

broader political context. I discuss this “stickiness” of the regime in the second section of the chapter where I present my argument about the historical development of the regimes of international giving in the United States, Britain and Sweden. In this section, I focus on what constitutes the regime of international giving, how it varies between the three countries, and the kinds of politics that characterize the regime of each country.

My definition of the regime of international giving builds on the rich literature on welfare state regime built around Gøsta Esping-Andersen’s seminal text *The Three Worlds of Welfare Capitalism* (Esping-Andersen 1990). While there is some general overlap between the variation in the welfare state regimes and the observed variation in the foreign assistance sphere, there isn’t a complete match. In Esping-Andersen’s typology Britain and the United States belong to the same type, the liberal regime. But as the discussion later in this chapter and the next will demonstrate, the U.S. and British regimes of international giving are more different than similar.⁹ The politics in the foreign assistance sphere are distinct for a variety of reasons. First, the foreign assistance spending is not as large as welfare spending, and has thus never been in the center of as much political tension as pension or health care policy decisions. And second, due to the international dimension in the regime of international giving, the stakeholders and the political considerations are quite different than in the welfare state regimes. While I do not adopt Esping-Andersen’s typology and superimpose it over the regimes of international giving, I take from his concept of regime the fundamental ideas that the public and private sectors of assistance are systematically interwoven and that that

⁹ Some scholars argue that the U.S. and British welfare state regimes are more different than similar too.

relationship is sticky (the same guiding principles that Hacker borrows from Esping-Andersen too).

International relations scholars will notice that my use of regime differs from Stephen Krasner's widely used definition¹⁰. I break away from the way the concept of regime is used in the IR literature, and I adopt the way comparative politics and American Political Development scholars have used it (Esping-Andersen 1990, Pierson 2001, Hacker 2002). I do so because the IR definition of regime applies to the relations *between* countries and theorizes the possibilities for international cooperation. I, on the other hand, examine the configuration of institutions and actors *within* countries. Moreover, the Hacker definition contains within it the dimension of historical development, which is key for my argument of how the regimes of international giving of the United States, Britain and Sweden have developed in the post-World War II period. The two definitions of regime are not entirely different. They have in common two elements: the idea that a regime is made up of a set of norms and institutions guiding the actions of a variety of actors, and the sense of coherence of the regime.

The regime of international giving of a donor country consists of three interconnected components: public foreign assistance, government interventions in private foreign assistance, and private foreign assistance. The first component—public

¹⁰“...implicit or explicit principles, norms, rules and decision-making procedures around which actors' expectations converge in a given area of international relations. Principles are beliefs of fact, causation, and rectitude, norms are standards of behavior defined in terms of rights and obligations. Rules are specific prescriptions or proscriptions for action. Decision-making procedures are prevailing practices for making and implementing collective choice” Hasenclever, A., P. Mayer and V. Rittberger (1997). Theories of International Regimes. New York, Cambridge University Press..

foreign assistance—contains the official programs and spending for foreign assistance in a donor country. Most foreign aid research has focused on this component of the regime. The main institutions administering these programs are the overseas development agencies (e.g., USAID, DFID, Sida) and other government bodies that administer foreign aid (e.g., U.S. Department of Agriculture, UK Department of Energy and Climate Change). Most official aid programs provide funding directly to other countries (bilateral aid) or to international organizations like the UN (multilateral aid), and channel some funding through NGOs, charities, faith-based organizations, or for-profit entities. The “indirect provision” subcategory of the first component of the regime captures this portion of official spending flowing through private actors, and the funding mechanisms through which it is distributed. The second component of the regime of international giving—government intervention in private foreign assistance—contains policy instruments and institutions through which the government affects the private sector of international giving. The key policy instruments here are tax incentives for charitable giving and a variety of regulations proscribing the activities of NGOs and charities. The key institutions are the taxation agencies (e.g., Internal Revenue Service, HM Revenue and Customs) and the agencies in charge of maintaining a registry of NGOs and charities (e.g., British Charity Commission). And the last component of the regime of international giving—private foreign assistance—contains the funding raised for foreign assistance by non-governmental organizations from private donors. The key actors in this component of the regime are relief and development NGOs, charities and faith-based organizations. The table below shows the three components of the regime of international giving at a

glance, and provides descriptions and examples of policy instruments for each of the components (adapted from Hacker 2002: 30):

TABLE 2.1. Components of the Regime of International Giving

<u>Components of the Regime of International Giving</u>					
	Public Foreign Assistance		Government Intervention in Private Foreign Assistance		Private Foreign Assistance
	<i>Direct provision</i>	<i>Indirect provision</i>	<i>Regulation</i>	<i>Inducements of private giving</i>	<i>Private charitable contributions</i>
Description	Direct gov't provision of assistance	Gov't provides grants or in-kind contributions to NGOs	Gov't regulates the terms of private provision of assistance	Gov't policy encourages private provision of assistance	Assistance provided by NGOs and charities
Examples of policy instruments	Official bilateral development assistance	Sida's framework agreements with NGOs	NGOs not allowed to engage in political activities	Charitable tax deductions; GiftAid	Charitable donations to charities

Together, the three components—public foreign assistance, government intervention, and private foreign assistance—constitute the distinct regime of international giving in a donor country. The presence or absence of a certain policy or funding mechanism does not by itself define the nature of the regime of international giving within a donor country. It is the *configuration* of policy instruments, funding mechanisms and institutions from the three components that constitute the regime of international giving. The three components are deeply intertwined, and institutions in one of the components often rely on institutions in the other components to function. For example, both USAID and DFID require NGOs and charities to follow certain tax regulations to be eligible to apply for grants. And many NGOs rely heavily on tax incentives to encourage private charitable giving. It is these links between the three components that give the regime of international giving its quality of coherence. The links make the regime *a regime*. The configuration of policies and institutions within the three regime components vary from country to country. For example, the United States and Britain have provided tax incentives for charitable giving since the early 20th century, while Sweden did not offer such incentives until 2012. And the design of these mechanisms and institutions vary as well. For example, the United States and Britain both provide incentives for charitable giving, but these incentives have vastly different designs and effects. The U.S. deduction for charitable contributions benefits the donor by lowering her taxable income; the British GiftAid tax incentive benefits the charity by giving it the income tax that the donor has already paid on the donation. I discuss the particular institutions and policy instruments of each country and provide a detailed

comparison of the three regimes in chapter 3. Table 3.1 (in chapter 3) presents a summary of how the three components of the regimes of international giving vary in the United States, Britain and Sweden.

Thinking about the relationship between public and private assistance through the lens of these components allows us to zero in on the actors responsible for the design and work of the institutions for foreign assistance. Looking “beneath” the spending levels allows us to examine the actors who donate and spend these funds, and their preferences and actions. It is only when we examine the interactions of the key actors (government agencies, NGOs) that we can understand the politics of public and private foreign assistance.

An important aspect of the politics between the two sectors is the power distribution between them. In other words, how dependent on the government the private sector is. Government funding for NGOs and charities is an important factor for the level of dependence. Availability of government funding and the rules for receiving it affect the level to which NGOs rely on charitable donations. This in turn affects how much and how NGOs target their donors and the kinds of policies they are willing to push for or try to reform. Examining the amount of official funding NGOs receive—although an important indicator of dependence—is not enough by itself, and it is important to examine also the mechanisms through which this funding is administered and the freedom that these mechanism give to NGOs. Ian Smillie differentiates between financial dependence and the broader question of whether governments value the independence of the NGO sector (Smillie 1993). It is then important to examine not just how much money

NGOs receive from the government, but also whether the government sees them as independent actors and values their independence. Some funding mechanisms empower the government vis-à-vis the private sector of giving, and others have the opposite effect. For example, both framework agreements and grants for specific projects are types of official foreign assistance channeled through NGOs and can introduce government control over NGO work. However, the amount of influence the government has over the work of NGOs is very different in the two funding mechanisms. The government can exercise much more control over NGOs when they are funded through project-specific grants rather than framework agreements. Similarly, funding NGOs through tax expenditures (i.e., deductions for charitable contributions and tax exempt status) is much more indirect, and provides the government less oversight of NGO work. Tax exemption becomes a powerful instrument of control only when it is coupled with limitations on the kind of activities in which tax-exempt organizations can engage. And these limitations can vary considerably.

Different funding mechanisms restrict NGOs to a different extent and in different ways. One important distinction between funding mechanisms is whether they are “responsive” (e.g., matching grants) or contractual funding (Smillie 1993). Responsive funding allows NGOs or charities to use government funds on projects that they themselves design. And it is believed to allow them more freedom and to tie their work less to government goals and objectives than funds that they receive via solicitations for contracts. The most popular type of responsive funding program is matching grants (also called co-funding schemes). Many donor countries began their first cooperation

initiatives with the NGO sector with matching grants. Matching grants programs vary in how much of the cost of a project the government pays for. Co-funding schemes that require NGOs to raise a large portion of the cost of a project (e.g., 50%) require them to continue to seek charitable contributions even when they receive government grants (Pratt, Adams et al. 2006). This distribution of the cost also compels the government and the NGOs to work like partners, and not like contractors. The first British program called the Joint Funding Scheme matched pound-for-pound the money that charities collected from public donations. The British charities had to come up with 50% of the funding for their development projects. The first Swedish matching grant program contributed up to 90% of the cost of a project and there were very few conditions placed on the kinds of projects eligible for the co-funding scheme. The opposite of responsive funding is contractual funding in which NGOs receive money for implementing projects that the official agencies have designed. In this case, NGOs are sub-contractors rather than partners. The U.S. government has rarely supported matching grants programs, and such initiatives have been very short-lived. It relies primarily on contractual funding.

A similar dynamic emerges in the comparison of multi-year framework agreements and block grants (or project-specific funding). Framework agreements are given to support the overall work of an NGO for a specified number of years and come with little oversight from the government agency once the agreement is made (Pratt, Adams et al. 2006). Block grants on the other hand, are given for short-term projects and involve much more government oversight through more specific reporting and evaluation requirements. Another mechanism through which governments can restrict the work of

NGOs receiving official funds is the requirement that the funds be spent in specific “preferred” countries. The list of preferred countries can be very restrictive (e.g., funding for projects in strategic partner countries) or less restrictive (e.g., funding for projects in the UN list of least-developed countries).

When I examine the relationship between governments and NGOs in the following chapters, I note not only how much official funding NGOs receive, but also the type of funding mechanisms through which the funding is channeled. These dynamics are summarized in the three dimensions of funding dependence in the table below: 1) responsive vs. contractual funding, 2) multi-year program agreements vs. short-term projects, 3) whether there is a list of preferred countries, and how restricted the list is:

TABLE 2.2. Funding mechanisms and their effects on NGO dependence

<i>NGOs less dependent</i> ←←	→→ <i>NGOs more dependent</i>
Responsive funding	Contractual funding
Multi-year program agreements	Specific projects/Block grants funding
Restrictive preferred countries list	No preferred countries

As the examples in the previous paragraphs demonstrate, different funding mechanisms can lead to different levels of NGO dependency. The same is true for regulatory mechanisms. For example, both USAID and Sida require NGOs to register with their respective agencies to be able to apply for grants. Sida’s registration procedure is notoriously complicated, and NGOs lacking the human resources to complete the registration cannot apply for certain funding schemes. However, NGOs have found ways around this challenge by forming umbrella organizations and competing for grants through them; and Sida has welcomed and encouraged this development, and it negotiates framework agreements with the umbrella organizations rather than each NGO.

The USAID registration procedure for NGOs is not as burdensome, but even small NGOs have to apply for funding and negotiate with USAID. More importantly, U.S. NGOs face rigid restrictions on their ability to engage in political activity enforced through another regulatory mechanism. Tax regulation prevents organizations registered as 501(c)3 with the Internal Revenue Service from engaging in activities that seek to influence legislation, and this has discouraged many NGOs from lobbying (Stroup 2012). Even though USAID is not as strict as Sida in its regulatory requirements, U.S. NGOs deal with harsher limitations on their activities through tax regulation.

Effects of the regime of international giving – Compliance, opposition and subterranean politics

The configuration of these different policy instruments produces different politics between the two sectors of foreign assistance. I discuss in greater detail the configuration in each regime of giving in the next chapter. Here, I provide brief overviews of the type of politics each regime produces. In the United States, the configuration of institutions and policies of the three components produces a regime of international giving in which the private sector is highly dependent on the government for funding, and through a variety of strict regulations on their political activities the NGOs are prohibited from lobbying. Relief and development NGOs are highly dependent on the government through a variety of direct and indirect funding mechanisms and regulations. USAID channels 50% of its funding through private sector organizations (both NGOs and increasingly for-profits) (OECD 2011). The government also funds NGOs indirectly through generous tax incentives for charitable giving. In exchange, NGOs have been compliant with USAID policy. The two sectors of foreign assistance have extensively

coordinated their activities since World War II when they joined forces in the European relief and reconstruction effort. The U.S. regime of international giving is thus characterized by the absence of a strong opposition from the NGOs to government policies and activities in the field of foreign assistance. I label the U.S. regime one of *compliance politics* because despite the presence of contention the NGOs rarely put up true opposition to the government. Rather, most of them follow the direction it sets.

In Britain, the configuration of policies and institutions of the three components produces a regime of international giving in which the private sector is highly independent from the government, and has continuously fought to chip away at the limitations posed on its activities by government regulation. DFID and its predecessor agencies never offered as much supply of official funding as USAID does. British NGOs began coordinating with the government fairly late in the 1970s, when the NGO sector had already become strong and autonomous and had created a strong base of popular support. They have continued to work mostly parallel to the government. This, in combination with government funding schemes that from the start required NGOs to raise substantial portions of their budgets from private sources, has helped British NGOs to remain relatively autonomous and unafraid to voice disapproval of government aid policy. I label the British regime of international giving one of *opposition politics* because from their position of working parallel to government programs and being autonomous, British NGOs have been able to be in real opposition to government foreign assistance policy.

And lastly, the configuration of policies and institutions of the three components in Sweden produces a regime of international giving in which the private sector is highly dependent on government funding, but has at the same time been successful at preserving relative autonomy. Swedish NGOs receive a great proportion of their operating budgets from the government, but at the same time they have been able to remain relatively independent from it in part because of the design of the funding mechanisms. They have been able to preserve a certain degree of autonomy because they participated in the creation of the first official foreign aid program in the post-World War II era, and used this position to enhance their strong position in relation to the government. This early involvement in the building of the foreign assistance institutions has resulted in a high degree of coordination between the two sectors. Because the NGO sector is so intertwined with the government, what we observe is *subterranean politics*—a politics that is characterized by low visibility and restricted scope of the conflict (Hacker 2002). Most of the decisions about foreign aid policy and government funding for NGOs are made behind closed doors and without public discussion. Representatives of the NGOs and government officials work out points of contention before they even become conflicts.

Theoretical contribution of the regime of international giving

The concept of regime of international giving moves us away from thinking about the differences between countries linearly (i.e., more or less public spending, or more or less private spending) and towards understanding these differences as coherent *regimes*. I argue that that there are qualitatively different configurations of policies and institutions in the three regimes and that these regimes are characterized by qualitatively different

types of politics between the public and private sectors of giving. When we think about the differences as regimes, we can see how the three countries have followed different trajectories of development (I trace the historical trajectories in the three case study chapters). We might also expect that the regimes will react differently to new pressures in the future because the institutional configurations described above allow for different responses to these pressures. For example, there has been a trend towards commercialization of the field of foreign assistance (governments channeling funding through contractors rather than NGOs) (McCleary 2009). But the trend has not affected all countries to the same degree and in the same way. It is most prevalent in the United States, where NGOs have increasingly had to compete for government funding with for-profit organizations such as Development Alternatives and Deloitte Touche Tohmatsu. This shift in the United States is due less to a general preference for channeling spending through private actors than to the nature of the existing relationship between the government and the NGOs. As I explained above, and in further detail in the next chapter, U.S. NGOs have been highly dependent on the U.S. government and have been relatively compliant with its interests. In many ways, USAID has been treating NGOs as contractors all along. The shift to allow contractors to bid alongside NGOs is thus not a drastic departure from the normal state of affairs.

The concept of regime of international giving enables a richer understanding of the foreign assistance field. It helps us expose the politics between the public and private sectors of foreign aid and the factors that have led to it. The focus on direct government spending in the existing literature has been too narrow, and has concealed the many ways

in which a variety of funding, regulatory, and tax policies affect the work of the private sector of giving. We can reveal the ways in which the U.S. NGO sector, which is often thought of as fueled by the extraordinary compassion of Americans and unhindered by government influence, is actually highly dependent on government tax policy, heavily regulated, and receives a large portion of the official aid funding. In a similar way, the Swedish private sector of foreign assistance has been hidden in the shadows of the generous official foreign assistance budget and has often been considered insignificant. But when we carefully examine its relationship with the government and look deeper than just how much money it receives from Sida, we reveal a relationship that looks a lot more like partnership and less like dependence.

However, the regime of international giving does not just capture more modes of government control over the private aid sector. It also examines the ways in which the private sector guards its independence and also influences official foreign assistance. Shifting the analytical framework from spending levels to a regime of giving helps us move away from thinking about the private sector as simply a residual of official foreign assistance and towards thinking about NGOs as actors operating with particular capacities and under particular constraints. We can see how this shift of perspective reveals unexpected findings most clearly in the case of Sweden. Despite the high level of government spending on foreign assistance for most of the period after World War II, there was high private spending and high public involvement in the humanitarian sector through lobbying. Moreover, Swedish NGOs have been able to sustain a strong position vis-à-vis the government in the policymaking process on foreign assistance. Despite

receiving substantial funding from the government (in some cases up to 100% of their operating budgets), NGOs have achieved a surprisingly high level of autonomy from government interference in their work due to carefully crafted funding mechanisms that minimize the level of oversight. And the private sector has been able to participate in the design of the funding mechanism because they had a seat at Sida's governing board from the creation of the agency until 2008 when the board was reformed. Even though private spending has been relatively low since the early 90s, it would be incorrect to make the conclusion that the private sector of foreign assistance in Sweden is weak and insignificant and is only the residual of government spending and efforts. By focusing on its relationship with the government, we can better understand how Swedish development NGOs function and the influence they have had on Swedish official foreign assistance.

The findings revealed by a shift to the concept of regime of international giving have important policy implications. The regime of international giving allows us to show that the ideas about the relationship between public and private giving are not outside politics. Rather, political actors actively construct and promote the ideas of what it means to care for distant strangers and what the proper role of NGOs and charities should be. For example, comparing the three types of regimes reveals that the idea often promoted by pundits in the United States that official aid is a functional equivalent to private donations and can be easily substituted for it is not an empirical fact. Rather, political actors promote it at the expense of other alternative relationships between public and private assistance. In the 1980s in Britain, Margaret Thatcher promoted the idea that taxation was a form of compulsory giving which stifled altruism and voluntary giving

(Filby 2011). Today, the Hudson Institute and other U.S. think tanks and politicians make similar arguments by adding up to official aid all charitable giving, remittances, and private investments in developing countries (Adelman, Norris et al. 2005, Adelman, Marano et al. 2012). Advancing an understanding that public and private aid are equivalent and easily substitutable with each other is a strategic move, which disguises the fact that the responsibility for payment is distributed differently in the two choices, and that the outcomes of the two funding channels are very different.

So far in this chapter, I have introduced the concept of regime of international giving which helps us think systematically about the relationship between the public and private sectors of foreign assistance beyond the pattern of spending levels, and I examined the dimensions along which the regimes of countries vary. But this does not tell us how the regimes of giving have come about. In the next section, I turn to historical institutionalism to develop an argument about how these sets of policies and relationships emerged in the post-World War II period and have developed since then.

Continuity and change of the regimes of international giving

The historical institutionalist approach has been influential in the comparative and American politics subfields (Hacker 1998, Pierson 2001, Hacker 2002, Pierson 2004, Streeck and Thelen 2005, Mahoney and Thelen 2010), but it has gained little attention in international relations, especially when contrasted with the popularity of the rational choice and sociological institutionalism approaches (Fioretos 2011). However, historical institutionalism is especially suited for questions of institutional development and for issue areas at the intersection of comparative politics and international relations like foreign aid assistance. The main insight of historical institutionalism is that the timing

and sequence of events matter for the effect they have on contemporary political outcomes. Events that happen earlier in a historical sequence have stronger influence than later events. In that sense, historical institutionalism emphasizes that contemporary institutional arrangements do not reflect the current balance of interests and/or preferences, but rather reveal that outcomes of earlier political struggles have a lasting impact on institutions (Hacker 2002). This main insight is based on a set of concepts—critical juncture, path dependence, and gradual institutional change—that provide analytical rigor to the general statement that “history matters.”

Using historical institutionalism’s main insights, I develop a theory of the continuity and change of the regimes of international giving in the second half of the 20th century. I argue that the observed variation of the contemporary regimes of international giving is not a product of current preferences for high or low government spending, but rather reflects the outcomes of the political struggles that produced the post-World War II institutions of foreign assistance and the subsequent evolution of the institutions born out of these struggles. Therefore, we can best explain the variation of the regimes by examining the circumstances of the creation of the countries’ foreign aid institutions in the wake of World War II and tracing their historical development since then. I examine two periods: the brief critical juncture after World War II when most countries established their modern foreign aid institutions and the longer period of relative institutional stability following it. A commitment to identifying under what conditions the regimes of international giving have changed and have remained the same ensures that the analysis does not remain at the broader level of institutional differences, but rather

engages with the preferences and actions of key actors in moments of successful and failed attempts of reform.

Critical juncture—Creation of the modern foreign aid institutions in the wake of World War II

One of the central claims of historical institutionalism is that critical junctures are rare moments in history that present opportunity for tremendous change of political life. Critical junctures are defined as “*relatively* short periods of time during which there is a *substantially* heightened probability that actors’ choices will affect the outcome of interest” (Capoccia and Kelemen 2007). This definition points to two key characteristics of critical junctures. One, the periods of opportunity for change are brief compared to the long periods of relative stability between critical junctures. And two, choices made during the critical juncture have more impact on the outcome than choices made at other times. The decisions actors make and the institutions they build in such moments have a lasting impact and are difficult to change in subsequent periods. For example, comparative political development studies show that institutional choices made during a critical juncture set countries on different paths from which it is hard to veer off (e.g., Esping-Anderson’s three worlds of welfare capitalism, or Paul Pierson’s path-dependent social programs).

Wars are often understood as critical junctures with transformative effects on political life (Kier and Krebs 2010). They open up space for the building of new institutions and/or the reform of existing institutions. World War II was unarguably the most important critical juncture of the 20th century, both for domestic and international politics. “The war changed everything,” writes Tony Judt in his *Postwar* history of

Europe (Judt 2005). It lasted almost six years (September 1939-May 1945), spilled over the entire European continent and the globe, and swept up both military and civilian populations. The Allies' bombing campaigns in the last two years of the war and the Red Army's retreat back east left the continent in ruins (Judt 2005). Photographs of hollowed out buildings, collapsed bridges, and mountains of debris on the streets of the formerly prosperous European cities have become symbols of the physical destruction of war. Across the entire continent, roads, bridges, and rail tracks were destroyed; farms in the countryside were barely functioning.

But even more devastating was the loss of human life. An estimated 36 and a half million Europeans died in the Nazi camps, on the battle fields and from other war-related causes; 19 million—more than half—were civilians (Judt 2005). At the end of the war, millions of people found themselves uprooted, relocated and in refugee camps. German and Soviet policies to transfer whole ethnic groups across borders resulted in more than 30 million people displaced from their hometowns (Judt 2005). At first the U.S. Army—and later the newly formed United Nations Relief and Rehabilitation Administration (UNRRA)—administered the refugee camps caring for the millions of destitute people. In 1947, there were 762 refugee camps in Western Europe, and UNRRA was in charge of caring for close to 7 million people (Judt 2005). In Eastern Europe, the Soviet Union administered camps for another 7 million refugees.

The need to re-build the continent, feed the millions of starving people, and find home for the refugees required large-scale financial assistance, for which there were neither domestic nor international institutions at the time. The reconstruction effort in

Europe in conjunction with the threat of the Soviet Union opened up an opportunity for the United States to establish the first large scale official aid programs—Aid for Greece and Turkey in 1947 and the Marshall Plan in 1948. These two programs became synonymous with foreign assistance and served as a model for later programs. In the following decade and a half, as the European empires were breaking apart, and it became evident that the newly independent states would need assistance to develop their economies, European countries faced the need to build new domestic institutions to finance and administer foreign assistance in the newly independent states in the developing world. Norway and Sweden made the next steps towards creating official foreign assistance agencies in 1952. France, Germany and Japan created their first foreign aid ministries in 1961, and Denmark and the Netherlands followed in 1962 and 1963, respectively. Britain was one of the last European countries to build a new ministry of development in 1964.

Of course, the United States, Britain and many other European countries had already been transferring resources to developing countries both through official and private channels before World War II. The U.S. Institute for Inter-American Affairs provided technical assistance in Latin America starting in 1940. The British government had provided assistance to its colonies through a variety of agencies: the Department of Technical Co-operation, the Commonwealth Relations Office, the Colonial Office, and others. And Swedish missionary societies had provided assistance in Ethiopia in the 19th century. However, the new domestic and international contexts shook up the existing institutional arrangements for foreign assistance. The old ways of channeling assistance

through missionary societies or building infrastructure for the purpose of colonial extraction were no longer seen as legitimate in the post-colonial era. Former colonial powers had to rethink their responsibility for their former colonies for two reasons. One, the European economies were destroyed during the war, and states did not have money to spare. And two, the colonies were now independent states. Therefore, Britain was very cautious in building new institutions of foreign assistance in the first decade after World War II during which colonial struggles for independence raged. The government recognized that Britain was already implicated in relationships of dependence with its former colonies, and navigated the new landscape of modern foreign assistance warily. The United States did not have official former colonies, for which it felt responsible, but it had a newly acquired position of power and a corresponding strong appetite that made it more aggressive in building up institutions of foreign assistance. In this context of break-up of empires and dire need for relief and development in the newly independent states, the former colonial powers and the United States invented new modes of delivering resources to the former colonies. They remodeled their old colonial technical assistance agencies and/or built new ministries of foreign assistance.

However, these new official agencies did not arrive on a blank slate. Private agencies had been operating in the newly independent states for a long time. An important decision that governments faced in this institution-building process was how—and whether—the new official aid programs were to work with the private voluntary organizations (missionary societies, churches, charities, etc.) that had been providing assistance abroad since the 19th century. In this time of uncertainty about both what the

countries' responsibility should be in the provision of development aid and how the new domestic institutions of foreign assistance should be structured, there was an opening to reconfigure the relationship between the public and private sectors of foreign assistance. The opening meant that there were more options on the table, but it did not mean that during this critical juncture "anything goes" (Pierson 2000). Going down one path or another was not a random event; powerful actors chose and fought over which path to take. By focusing on the power asymmetries between key political actors (e.g., politicians, bureaucrats, policymakers, and key relief and development NGOs) and their preferences, decisions and actions in rare moments of opportunity for change we can understand why one of the many available options won over the alternatives (Capoccia and Kelemen 2007).

States did not respond to this uncertainty in the same way. The governments of the United States, Britain and Sweden made very different choices when resolving how to work with the non-governmental actors already in the field. Local contexts—country-specific norms on the role of charity—led to considerable variation in the response. I argue that the manner and the extent to which the private voluntary organizations who had been providing assistance abroad were brought in to work with the new government programs was determined by two key factors: 1) the existing domestic norms about the role of charity, and 2) the relative strength of the private sector of international giving. The institutional arrangements that structured the relationship between the public and private sectors of giving (e.g., funding mechanisms, coordinating bodies) that came out of these decisions reflect these two factors. In the United States, the federal government had

extensively regulated and funded the PVOs during the two World Wars, and had actively promoted the idea that the role of the charitable sector was to support the goals of the official aid programs. The PVO sector at the time was a disorganized group of spontaneously formed ethnicity-based charities. Since it had reined in the PVOs early on, the existing regulatory and funding mechanisms allowed the government to continue to work with the PVOs as subsidiary actors. In Britain, the Charity Commission had strictly proscribed the role of domestic charities since the 17th century as working to relieve poverty and not to change the conditions that produce it. When the government created the new Ministry of Overseas Development in 1964 with the grand goal of eliminating the roots of poverty in developing countries, the separation of spheres of work was further crystallized. Moreover, the British charities had become strong and important actors in the relief and development field in the early 1960s when they successfully raised £7 million for the U.N. Freedom From Hunger campaign. They had proven that they could fundraise their efforts from the general public without government help. It was much harder for the British government to rein them in than it was for the U.S. government to do so two decades earlier. Finally, in Sweden, under the spirit of corporatism major NGOs, missionary societies, trade unions and youth groups were considered powerful actors that needed to be consulted in the creation of the new official aid program. A committee composed of all these non-governmental groups was charged with administering the first official Swedish foreign assistance programs in 1952. Thus, the Swedish NGOs became powerful actors with an important seat at the table from the very beginning of the official foreign aid program. In each case, it was the norms on the

role of charity and the relative strength of the overseas NGO sector that determined how states responded to this question of working with the private sector of assistance in the wake of World War II.

Continuity—Path dependent development of the regimes of international giving

The second major insight of the historical institutionalist approach is that critical junctures are followed by periods of relative stability in which the possibilities for reform are restricted in a path-dependent fashion. There are two conceptions of path dependence: a broader and a narrower one (Pierson 2000). The broader definition is often employed loosely to mean “history matters.” This use of path dependence has faced much criticism because it does not specify the mechanisms through which history matters. The narrower definition of path dependence is “social processes that exhibit increasing returns” (Pierson 2000). It emphasizes that the mechanisms of reproduction (e.g., set-up or fixed costs, learning effects, coordination effects, and adaptive expectations) grow stronger over time and thus make change increasingly harder. An important mechanism in path dependent arguments is the sequence and timing of events. *When* something happens matters for the impact it has on politics. One of the important ways in which the timing of an event matters is whether the event occurs in the early or later stages of the path dependent process. Early stages of historical processes are more open than later stages (Pierson 2000). Actors have a wider range of options for action during or immediately after a critical juncture than they do later. In that sense, particular decisions or actions in the early stages of a process (i.e., “small” events) can have a larger effect than more significant events later on in the process.

The traditional conception of path dependence does not claim that institutions do not change at all in the periods of stability after a critical juncture, but rather that the change is *bounded* by the nature of existing institutions. Path-dependence does not mean a permanent lock-in of institutional arrangements. Rather, it points to mechanisms that make change harder and certain institutional characteristics persistent (Pierson 2000). The main mechanism through which institutions persist is the rules that powerful actors create to preserve their position of power (Pierson 2000). Institutions are path-dependent not due to inertia but due to politics.

The outcome of the critical juncture following World War II was a set of domestic institutions for public and private foreign assistance in each donor country. These institutional arrangements, which as I argued in the previous section were a product of the domestic norms on the role of charity, institutionalized the relative power positions of the key actors in the public and private sectors of foreign assistance. Over time these power relations were reproduced by a number of regulatory and funding mechanisms that further entrenched the relative power of the key actors, and the two sectors more broadly. In that sense, the initial institutional arrangements for foreign assistance put the three countries on particular trajectories—the regimes of international giving—from which it has been hard to veer off.

The institutional reforms that actors could achieve in the second half of the 20th century were constrained by important programmatic characteristics embedded in the institutions at the moment of creation of the regimes of international giving after World War II. Important feedback mechanisms that perpetuated these characteristics were the

preservation of antiquated rules, the tying of government funding to registration requirements, and the strengthening (in Britain and Sweden) and the weakening (in the United States) of the position of NGOs as experienced providers of foreign assistance. The mechanisms of reproduction were different in each of the three countries, but their common characteristic is that they functioned through institutions that were either created during the period of institution building in the wake of World War II or were old institutions reinforced into the new ones.

In Britain, the Charity Commission—an institution that has existed since the 17th century—continued to monitor that the charities did not break their charitable trusts even after most of the charities involved in overseas aid had changed how they thought about their work and no longer believed that their mission was to merely relieve poverty. Because the charities received the benefits of tax-efficient giving only if they maintained their status as charities with the Charity Commission, they were limited in how much they can push to change their sphere of activities. At the same time however, that same limitation born out of the understanding of the role of charity had kept them in a separate sphere from the official development programs. This meant that they did not receive direct government funding for development projects until fairly late in the mid 1970s, and even then they continued to rely primarily on private donations. They had developed strong reputation and public trust. This institutional and funding separation from the official programs allowed the charities some channels of opposition even as they continued to face the limitations opposed by the Charity Commission.

In the United States, the government carried over the wartime regulation of private voluntary organizations into the postwar period. It could do that because it created its first official aid programs immediately after the war, at which point the PVOs were working extensively with the federal government on gaining access in Europe, procuring food aid and shipping it across the Atlantic Ocean. The regulation of activities in conjunction with the close funding ties between the federal government and the private sector of giving has kept the PVOs as subservient actors. The U.S. government continued to provide generous supply of funding in conjunction with tight regulations.

In Sweden, the corporatist tradition required missionary societies, NGOs, youth groups and other social society organizations to be included as full-fledged partners in the creation of the first foreign aid program. The missionary societies emerged as actors experienced in the provision of assistance abroad in the first years of Swedish official aid, and they were given power to make decisions such as in what countries to set up the first official assistance programs. The NGOs were given a seat at SIDA's Governing Board and were thus able to maintain the strong position they gained during the initial years of official Swedish aid. The Governing Board was not reformed until 2008 when an Advisory Council replaced it.

Change

The main criticism that historical institutionalism has faced is that its focus on continuity rather than change has made the approach too deterministic (Streeck and Thelen 2005, Mahoney and Thelen 2010). Scholars have argued that the emphasis on path dependence has concealed the ways in which institutions change even in the periods between critical junctures. They argue that sudden changes of institutions during critical

junctures are only one type of institutional change, and more importantly, they are not the most common type of change.

Seeking to remedy this drawback of historical institutionalism and fueled by the ever-present desire of political scientists to explain change, a newer development of the approach corrects for this drawback and identifies a number of modes of gradual institutional change in the periods following a critical juncture (Mahoney and Thelen 2010). Mahoney and Thelen argue that institutions change when actors implement existing rules in new ways through manipulating the interpretation and/or the enforcement of the rules. They conceptualize four modes of gradual institutional change: displacement (when old rules are replaced by new ones), layering (when new rules are introduced without the elimination of old ones), drift (when rules remain the same in a changing environment), and conversion (when rules are redeployed strategically to achieve different results) (Mahoney and Thelen 2010).

Just like the mechanisms of reproduction that limited the capacity of actors to reform the institutions were set up during the critical juncture, so were the possibilities for change. The regulations limiting British charities to non-political work has persevered, but it has also evolved gradually. The rule has restricted the kinds of projects charities can fund since the 17th century despite numerous attempts to abolish it in the 1970s and 80s. It has been so persistent in part because it is deeply entwined with another set of institutions—the British tax system. Both domestic and international charities need to comply with this regulation to maintain their status as charities and the tax benefits that come with it. While the charities have been unable to completely abolish the regulation

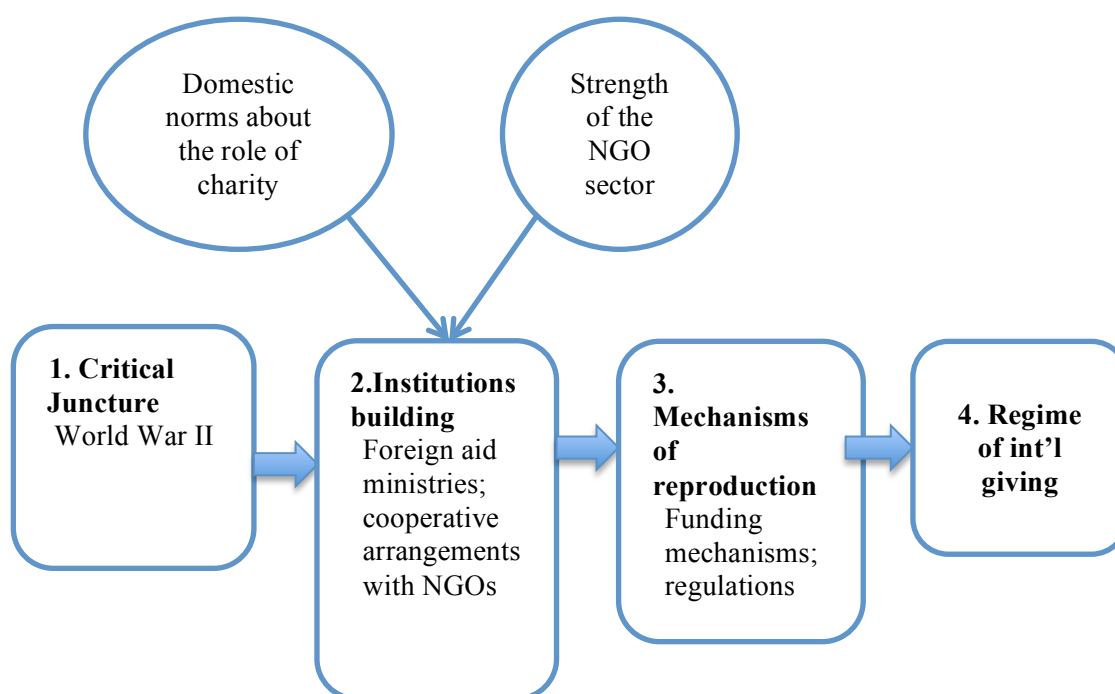
(i.e., complete institutional reform), they have been able to work around it and thus have gradually changed how it is applied (i.e., gradual institutional reform through conversion). Many of the charities formed subsidiary non-charity organizations that administered the “political” work that they could not do under their original charitable trusts. Thus, the charities changed the way in which the regulation was applied without removing it. At the same time, however, the idea that charity work is not political work has persisted, and British charities to this day have to demonstrate that they do not spend any of the funding they receive from tax preferential treatment on “political work.” This is an example of a programmatic characteristic of the British regime of international giving that has persevered despite changes in both the domestic and international contexts.

When we put all these claims together, the following argument about the creation and development of the regimes of international giving in the United States, Britain and Sweden emerges. We see a critical juncture of institutional building after World War II followed by a period in which there was no drastic change, but rather the institutional arrangements were gradually transformed in a path dependent manner. The creation of the first official foreign aid ministries and agencies were moments of big institutional transformations. In those moments, the relationship between official and private foreign aid underwent significant reconfiguration, and the outcome was a product of two key factors: 1) the domestic norm on the role of charity, and 2) the strength of the NGO sector. During the Cold War, even though there were no fundamental changes of the regimes of international giving, there was incremental institutional change. At the end of

the Cold War there was potential for another drastic reform of the regimes of international giving just as after World War II. However, this did not happen. Both governments and NGOs expanded the geographic scope of their assistance and shifted more to the provision of development rather than relief, but the nature of the relationship between the two sectors *within* each donor country did not change drastically. This is in part because the end of the Cold War, while it produced tremendous change in the international arena, did not produce the same degree of change domestically as the world wars did (at least not on the west side of the Iron Curtain where the main donors of foreign assistance are located). This is further evidence for the “stickiness” of the regimes.

The figure below illustrates the logic of the argument:

FIGURE 2.1. The argument



Conclusion

In the following chapters, I trace this argument of the historical development of the regimes of international giving in the United States, Britain, and Sweden. Through detailed process tracing I show how the foundations of the regimes of international giving in the three countries were laid down in the moments of institutional building after World War II (i.e., the outcome of the critical juncture), and how these regimes have gradually evolved in a path-dependent way over the years since then. Woven together with the within case analysis is a comparison of the three cases. The comparison provides the necessary variation to further specify the arguments and increase the leverage of the analysis (Capoccia and Kelemen 2007).

The theoretical framework presented here does not apply indiscriminately across time and space. Arguments based on the historical institutionalist approach tend to have limited generalizability to a small number of similar historically-situated cases (Pierson 2000). The specific arguments about the development of foreign assistance in the post-War period apply to the European countries and Japan who created foreign aid ministries at the time. While the cases are regionally concentrated, the impact of the argument is not insignificant. These countries were the major donors of foreign assistance (both public and private) during the second half of the 20th century, and continue to be the most influential donors. The insight of understanding the relationship between the public and private sectors of foreign assistance as a *regime of international giving* and the types of politics that characterize each regime, however, has wider application to newer donors such as China, India, and the countries in the Middle East. I discuss this potential application of the argument in the conclusion chapter.

Chapter 3 – The regimes of international giving in three countries

In the previous chapter, I developed the concept of regime of international giving, and I outlined the argument of the dissertation. In this chapter, I describe in detail the contemporary regimes of international giving in the three case studies (United States, Britain and Sweden) to highlight the dimensions along which the three regimes vary. The goal of this chapter is to present the characteristics of the regimes of international giving in the three countries, elaborate on how these elements fit together to form qualitatively different regimes, and disrupt some popular misconceptions about the U.S. and Swedish nonprofit sectors of foreign assistance.

It is a widely held belief that the U.S. sector of private foreign assistance is exceptionally large and that it is a politically uncorrupted expression of the extraordinary compassion of Americans for those living in dire need abroad. The discussion below demonstrates that neither of these beliefs is entirely correct. Americans indeed donate a considerable amount of money to relief and development NGOs, and that amount is a larger percentage of GNI when compared to other countries (See Figures 3.3 and 3.4). However, the amount is a small fraction of the entire U.S. charitable sector (4% in 2014) and pales in comparison with the funding donated for domestic causes like religion (32%), education (15%) or human services (12%) (See Table 3.1 below, last row) (Giving USA Foundation 2013). Americans are generous, but the stories of outpouring compassion towards distant strangers are widely exaggerated. For every \$1 Americans give to charity, only 4¢ is spent on relief and development abroad. Additionally, the U.S. nonprofit foreign assistance sector is intricately intertwined with the official foreign

assistance programs and does not operate as autonomously as we often think it does.

As I show below, the U.S. government exercises high degree of control over American NGOs through a plethora of funding and regulatory mechanisms.

The second misconception I would like to disrupt in this chapter is the common belief that the Swedish nonprofit sector of foreign assistance is weak and almost nonexistent because generous state-funded programs have crowded it out. I show in the third section that Swedes donate a substantial amount of money for international causes in addition to what the Swedish government spends on official foreign aid. As Figure 3.6 shows, from 1970 to the early 1990s Swedes donated more (as % of GNI) than the Americans and the British. The sector is one of the strongest philanthropic sub-sectors in the country, and it exercises an unexpected level of influence on foreign assistance policy.

The table below presents a summary view of the variation observed on the components of the contemporary regimes of international giving—public foreign assistance, government intervention in private foreign assistance and private foreign assistance—in the United States, Britain and Sweden. I discuss in detail the particular institutions and policy instruments of each country and how they fit together to form a regime in the subsequent sections.

TABLE 3.1. The regimes of international giving in three countries

	United States <i>(Compliance politics)</i>	Britain <i>(Opposition politics)</i>	Sweden <i>(Subterranean politics)</i>
<u>Public Foreign Assistance</u>			
<i>Direct Provision</i>			
Official foreign aid as % of GNI (2014)	Low: 0.19%	Medium/High: 0.71%	High: 1.1%
<i>Indirect Provision</i>			
Share of official spending channeled through national NGOs (%) ¹¹	High: 50%	Low: 7%	Low: 8%
<u>Gov't Intervention in Private Foreign Assistance</u>			
<i>Regulation of NGOs</i>	High: Registration and annual reports requirements with the IRS and USAID; Strict limitations on political activities	Moderate: Registration and annual reports requirements with the Charity Commission; Moderate limitations on political activities	Low: Regulation of NGOs is devolved to umbrella organizations
<i>Inducements of Private Giving</i>	High: Generous tax incentives for charitable giving	Moderate: Tax incentives exist; benefits accrue to NGOs, not donors	Low: No tax incentives for charitable giving until 2011; small deduction ¹² was introduced in 2012
<u>Private Foreign Assistance</u>			
<i>Charitable contributions for foreign assistance as % of GNI (2012)</i>	High: 0.13%	Low: 0.04%	Low: 0.003%
<i>International giving as a portion of the entire charitable sector¹³</i>	Small: 4% of total charity	Medium: 10% of total charity	Large: 95% of total charity

¹¹ The average share of official spending channeled through NGOs in the OECD-DAC is 2%.

¹² A small tax deduction for charitable giving was introduced in 2012. For gifts between \$300 and \$900, 25% can be deducted, for a maximum deduction of \$230 per year per person.

¹³ U.S. estimate is for 2014 (Giving USA 2015). Swedish estimate is based on the public campaigns held by Radiohjälpen public broadcasting organization in 2010 (Vamstad and von Essen 2012). For the 2000-2010 decade, the share of funding donated through these campaigns for international causes was 95% of total charity.

United States

Public Foreign Assistance

As defined in Chapter 2, the first component of the regime of international giving is the public foreign assistance a country provides. It consists of the official spending that the U.S. government allocates for direct provision of assistance (i.e., funds that are channeled through government agencies), and indirect provision (i.e., funds channeled through NGOs, faith-based organizations, etc.). In the U.S., public foreign assistance is characterized by traditionally low spending levels and a heavy reliance on NGOs to dispense the funding.

Direct Provision. The United States is the largest donor among members of the OECD Development Assistance Committee (DAC) when aid is measured in real terms, and it provides a quarter of the overall global budget for foreign assistance (see Figure 3.1) (Organisation for Economic Co-operation and Development 2011). Since 1997 the United States has gradually increased¹⁴ the amount of aid both in real and relative terms: aid grew from 0.09% of GNI in 1997 to 0.19% of GNI in 2014 (OECD). In 2014, U.S. net official development aid disbursements reached USD 32.73 billion, a 2.8% decrease in real terms from 2011 (Development Co-operation Directorate 2011). The bilateral share of U.S. assistance is 84%—one of the largest shares in the DAC and growing steadily. In 2010, the bilateral share to least developed countries underwent a sharp increase of 16.2% from the previous year to \$9.4 billion driven in part by assistance for the Haitian earthquake relief efforts.

¹⁴ Except for a brief decrease in 2006 and 2007.

Despite this gradual increase in the past decade and a half, the U.S. is one of the stingiest donors in the DAC community. When aid is measured as percent of GNI (i.e., relative to the size of a donor's economy), the United States ranks at the bottom of the DAC donors, with only Japan, Spain, South Korea, Italy and Greece behind it (Figure 3.2). In 2014, U.S. official foreign aid measured 0.19% of GNI, a slight decrease from the 0.20% levels of 2009-2011 (Development Co-operation Directorate 2011). The United States has received much criticism for lagging behind other major donors and for failing to meet—and even not committing to—the UN aid target of 0.7% of GNI. Many commentators have responded to these criticisms by claiming that the United States is not less generous than other donor countries; rather, the majority of aid funding goes through private channels (Adelman 2003, Adelman, Norris et al. 2005). They point to the fact that in terms of private giving as percent of GNI, the United States ranks as the top DAC donor. Figure 3.4 shows how the United States compares with the other DAC donors in terms of both official and private aid. Indeed, Americans spend a considerable amount on private foreign assistance. However, even when we add up public and private funding for foreign assistance, the United States still lags behind most DAC donors. And more importantly, as I discussed in the previous chapter, public and private assistance are not functionally equivalent, and simply adding them up to arrive at the total amount of foreign assistance spending is problematic. Figure 3.6 shows the historical variation in private giving in the three countries, and demonstrates that U.S. private giving has not always been as high as it has been in the past decade. Indeed, until the late 1990s private

giving in the U.S. was not much higher than British private giving and was lower than Swedish private giving.

A wide network of institutions disperses U.S. official foreign aid. The institutions in charge of administering U.S. assistance are notoriously fragmented (Lancaster and Van Dusen 2005, Organisation for Economic Co-operation and Development 2011). There are 27 government bodies that provide foreign aid. USAID and the Department of State are the two main agencies in charge of setting the agenda and allocating the majority of the aid budget. But an increasing number of other departments and agencies have small foreign assistance programs (i.e., Department of Health and Human Services, Department of Defense, the Department of Treasury, and the Millennium Challenge Corporation). The effect of the large number of agencies and the wide network of embassies results in a heavily fragmented aid system. USAID disburses around 52% of the aid budget, the Department of State disburses around 17%, and the rest of the budget is allocated through smaller agencies. In addition to the large number of agencies responsible for allocating aid, the U.S. aid system is further fragmented by the fact that the funding comes through 12 different allocation bills (Lancaster and Van Dusen 2005). Many inside and outside observers of aid criticize the fragmentation of the aid system. The large number of institutions and authority points lead to inability to ensure that aid programs and allocations are in line with the aid policy goals. Often there is duplication of effort and waste. The fragmentation also means that international relief and development NGOs come in contact with the government for

lobbying and funding purposes at many different points (Stroup 2012). I discuss further the effects of this fragmentation on NGOs in the section on indirect provision below.

Indirect provision. One of the key characteristics of U.S. foreign aid is that a large portion of the official funding is channeled through non-governmental organizations. USAID directs 50% of its aid budget through private sector organizations (NGOs and increasingly for-profits), which means that at least a quarter of the total U.S. assistance is channeled through the private sector (Organisation for Economic Co-operation and Development 2011). For comparison, Britain channels 7% of official funding through charities and NGOs, Sweden channels 8%, and the OECD-DAC average is 2% (Organisation for Economic Co-Operation and Development 2010). USAID channeling assistance through NGOs is not a new development, but the increase in the amount is. In 1995, 27.7% of USAID's budget was channeled through NGOs, and that share has gradually increased since then (Sholes and Covey 1996). USAID relies heavily on non-governmental organizations for the delivery of aid abroad, and it increasingly does not distinguish between nonprofit and for-profit partners. Rather, USAID has begun in recent years to treat all types of organizations as contractors. NGOs, faith-based organizations, businesses and for-profit development corporations all compete for the same grants and contracts. USAID is unique among foreign assistance agencies in this practice. The British and Swedish official aid agencies have different procedures and separate allocations for NGOs and businesses. I argue that this practice—USAID treating NGOs as contractors and the NGOs complying—is the defining characteristic of the U.S.

regime of international giving and it is a product of the large supply of official funding to NGOs from the very start of the U.S. foreign aid program in the 1940s and the regulatory mechanisms that prevent NGOs from voicing strong opposition. In the next chapter, I elaborate on this argument further and I trace the historical processes through which the U.S. regime of international giving has arrived at its current state.

Not only does USAID provide a large amount of funding to NGOs, but it also does so through funding mechanisms that ensure NGO dependence. USAID has two broad types of funding mechanisms for non-governmental organizations: grants and contracts for projects that USAID designs, and a number of initiatives through which NGOs and other organizations can pitch ideas to USAID. The majority of funding is channeled through the first type of mechanism—contract solicitations. Any non-governmental organization can respond to USAID solicitations; the process is one in which USAID designs the projects and NGOs, for-profits and other organizations submit competitive bids. Increasingly, NGOs are being displaced in these competitions by for-profit development companies and businesses because they cannot offer competitive prices. USAID controls the design and implementation of these projects, and NGOs are treated as contractors. Some NGOs refuse to work as mere contractors and do not wish to submit to the heavy oversight that USAID exercises during the implementation of the contracts, but many continue to apply for contracts because they are already dependent on USAID funding.

The second type of funding mechanism for NGOs encompasses a number of initiatives in which any non-governmental organization “bring [their] ideas” to USAID.

This is the closest the U.S. government comes to responsive funding for NGOs.

Currently USAID provides such funding through two main initiatives—*Development Innovations Ventures* and *Grand Challenges for Development*—with different foci and requirements for each initiative and sub-initiative. *Development Innovations Ventures* consists of quarterly competitions for innovative solutions for development problems. NGOs apply alongside universities, corporations, churches, etc. Projects are funded through a staggered funding model adopted from venture capital; projects that demonstrate results in the initial small-scale implementation are scaled up and funded. USAID contributes \$1 for every \$0.7 raised by the partnering organization. The grant can be spent only in countries where USAID already provides assistance (i.e., there are preferred countries). In the most recent round of the competition only 52% of the grantees were NGOs. The second major responsive funding initiative, *Grand Challenges for Development*, consists of annual competitions in four development areas: maternal and infant healthcare, children's literacy, agriculture, and government transparency and accountability. In all four areas USAID is partnering with other government agencies (both SIDA and DFID), corporations and large foundations, so this is not a purely USAID initiative. The funding NGOs compete for is short-term (the innovations are required to be self-sustainable after the initial grant) and for specific projects.

USAID offers very little responsive funding to NGOs, and most of that funding is short-term and allocated for particular areas of development. There are no multi-year framework agreements, and the funding for all programs is restricted to countries where USAID provides assistance (i.e., strategic countries). Following the logic defined in

Table 2.2 in the previous chapter, the current funding mechanisms channeling official funds to the NGO sector produce a high level of dependence and are highly restrictive of NGO work. The large supply of official funding distributed through NGOs together with the restrictive funding mechanisms produce an unequal relationship between the government and the NGO sector. The NGOs are implementers of USAID policy objectives rather than partners in the provision of aid.

This characteristic of the relationship is evident also in the way USAID describes its work with the NGO sector. The key words USAID uses to describe the role of the NGO community are “deliver assistance” to “achieve our development objectives” (USAID 2013). This view of NGOs as contractors and implementers rather than partners is the main concern that the NGO community has about its relationship with USAID. InterAction, the largest umbrella organization of development and relief NGOs in the U.S., points to the shift from partnering with NGOs to tightly controlling their work (and partnering with business instead) as the main obstacle to a productive relationship with USAID (Worthington, Lotwis et al. 2012). The other concerns they voice further demonstrate that USAID treats NGOs as implementers rather than as partners. InterAction is alarmed that the Advisory Committee on Voluntary Aid, the body in charge of communication between the NGO community and USAID, is rarely convened and NGOs are only informed of the policy and funding decisions USAID makes once those decisions are already made; they are never consulted (Worthington, Lotwis et al. 2012).

Indirect government intervention in private spending

Regulation. In addition to channeling official funding through NGOs, the public and private sectors of foreign assistance are intertwined through a number of regulatory and taxation mechanisms. U.S. NGOs providing relief and development abroad must be registered with the federal government's Internal Revenue Service as 501(c)3 organizations and the USAID's Registry of Private Voluntary Organizations. The IRS regulations were not designed specifically for organizations working on international causes. Rather, these regulations apply to all charitable organizations in the U.S. (e.g., domestic philanthropic organizations, universities, museums, etc.), and it is these domestically oriented organizations that have lobbied Congress the most to preserve the tax benefits that come with the 501(c)3 status. Relief and development NGOs have mostly refrained from lobbying believing that they are not allowed to participate in any political activities if they accept any official funding (Stroup 2012).

Registration with USAID has become increasingly more cumbersome over the years and has begun to serve as pre-screening for funding rather than a requirement to apply for funding. The burdensome process has made it harder for smaller NGOs to apply for USAID grants. And more importantly, the increased reporting and assessment requirements have increased USAID's oversight over NGOs. USAID has increased its reporting requirements and has imposed new stricter regulations such as how to organize the internal staff structure of NGOs (InterAction). It is one of the first foreign aid agencies to introduce aid effectiveness measures and micro-manage NGO projects (Stroup 2012). USAID's Office of Innovation and Development Alliances manages the Registry of Private Voluntary Organizations. The registration requires submission of

audited financial statements, a DUNS number¹⁵, and detailed descriptions of the structure and activities of the organization; registration has to be renewed annually. USAID also requires that NGOs are private, which is defined vaguely as “solicits and receives cash contributions from the U.S. general public.” Since 2005 USAID no longer requires a minimum percentage of NGOs’ annual revenue to come from non-U.S. government sources (Stroup 2012).

American NGOs also face strict regulations from the Internal Revenue Service. I discuss the benefits that these same tax regulations offer NGOs in the next section on inducements of private giving; here I discuss the restrictions that come with them. Federal law defines charitable purposes as

Relief of the poor and distressed or of the underprivileged; advancement of religion; advancement of education or science; erection or maintenance of public buildings, monuments, or works; lessening of the burdens of Government; and promotion of social welfare by organizations designed to accomplish any of the above purposes, or (i) to lessen neighborhood tensions; (ii) to eliminate prejudice and discrimination; (iii) to defend human and civil rights secured by law; or (iv) to combat community deterioration and juvenile delinquency (Joint Committee on Taxation 2005).

Tax regulations prevent 501(c)3 organizations from engaging in activities that seek to influence legislation, and this has successfully discouraged many PVOs from lobbying. Two of the requirements for PVOs to maintain their 501(c)3 status are that “no substantial part of the organization’s activities may be lobbying; and (5) the organization may not participate or intervene in political activities” (Joint Committee on Taxation 2005). PVOs cannot use federal funds for political activities. Similar—even harsher—

¹⁵ Data Universal Numbering System is a system of unique numeric identifiers for businesses required of all government contractors in the U.S.

limitations on political activities are present in Britain as well. But the key difference is that U.S. PVOs have complied with these regulations, while the British charities have pushed against and been able to chip away at the restrictions over time. In the U.S., only 2% of charities spent money on lobbying in the 1990s (Stroup 2012). Recent attempts to introduce harsher restrictions have failed in Congress, but the effect on PVOs has been to diminish their lobbying activities nonetheless (Stroup 2012). Survey research with PVOs shows that PVO leadership “*believe[s]* that accepting government funding legally restricts their political activity more than it actually does” (Stroup 2012).

Inducements of private giving. In addition to the political activity regulations, the 501(c)3 status comes with two important tax benefits: 501(c)3 publicly supported charitable organizations are income tax-exempt and contributions to them are tax-deductible. Many scholars and commentators argue that Americans donate to charity in such large amounts because they receive significant tax deductions for their donations, and because Americans have more disposable income due to the lower tax rates compared to other countries (Roodman and Standley 2006). And others argue that the tax expenditure on charitable deductions should be counted towards the amount of U.S. official foreign aid (Pozen 2007)¹⁶. The exemption from income tax for charitable organizations is neither novel nor unique to the U.S.; charitable organizations are exempt—and have been historically—in most countries and cultures. In exempting charitable organizations such as churches, schools and mutual savings banks, U.S. tax

¹⁶ The share of the tax expenditure for charitable contributions that goes to relief and development charitable organizations is 3.5%; this is rather small compared to the share that religious (33%) and education (22.7%) organizations receive (Cordes 2011: 1017).

code followed British law (Scrivner 2001). The generous charitable tax deduction for individual donors is however distinctive to the U.S. Federal personal income tax was established in the United States with the Sixteenth Amendment in 1913; Congress established the tax-exempt status for non-profit charitable organizations and tax-deductions for individuals who donate to charity in 1917, and extended the deduction to corporations in 1935 (Randolph 1999, Smillie 1999, Scrivner 2001).

In current tax law, individuals are allowed to deduct from their taxable income the amount of money they have donated to charitable and religious organizations over the tax year. For example, if an individual makes \$100,000 per year and donates \$10,000 to charity, she only has to pay income taxes on \$90,000. Because the deduction lowers an individual's taxable income, it also lowers her marginal tax rate. Taxpayers can deduct cash and non-cash donations and financial assets. The limit on the value of cash and in-kind donations is 50% of the taxpayer's adjusted gross income; the limit on capital gains assets is 20% of adjusted gross income. However, not all taxpayers benefit from this tax incentive; only taxpayers who itemize their deductions can take advantage of the charitable deduction. In practice this means that middle- and upper-income taxpayers use the charitable deduction because they are more likely to itemize their deductions (Harris and Baneman 2011). For lower-income taxpayers and/or non-home owners claiming the standard deduction is more efficient.¹⁷ A charitable contribution deduction lowers the price of a donation and, in theory, encourages the individual to give more and/or larger gifts. The amount by which the price of the donation is lowered depends on the tax rate of

¹⁷ About 70% of U.S. taxpayers claim the standard deduction and therefore cannot take advantage of the charitable donation deduction (Harris and Baneman 2011).

the tax-payer (Cordes 2011). For example, if an individual donates \$10 to a charity and her marginal tax rate is 30%, the donation will reduce her taxes by \$3 (Randolph 1999). Therefore, the price of her donation will be only \$7. The price of a donation is lowered at a higher rate for higher-income donors because they have higher taxes rates. For example, if another taxpayer who has a marginal tax rate of 20% also makes a \$10 donation, the price of her donation will be \$8. For an individual who does not itemize and instead takes the standard deduction, the price of the donation remains the same, \$10 (Aprill 2001: 846). It is not surprising then that these tax incentives matter more at higher income levels and for larger gifts (Auten, Sieg et al. 2002, Fack and Landais 2010). Research shows that tax incentives affect the decision about how much to donate, but do not affect the decision to give (i.e., the decision to give precedes the tax incentive calculation)(Smillie 1999, Bakija and Heim 2011).

Two characteristics of the U.S. charitable donation are important for the comparison of the incentives for charitable giving for foreign assistance in the U.S., Britain and Sweden. One, individual taxpayers are the main and most direct beneficiaries of the tax incentive, and middle and high-income taxpayers benefit from it the most. And two, the tax incentive encourages large and planned donations—the type from which charitable organizations in the arts, education or medical research benefit the most. Charities that rely on a large number of small donations from lower income donors—

such as churches and relief and development NGOs—therefore do not benefit from the tax incentives as much.¹⁸

It is a popular belief that these incentives for charitable giving drive the high level of private foreign assistance in the U.S. and there is some evidence that tax incentives influence charitable giving for foreign assistance. Roodman and Standley find that tax incentives for charitable giving are correlated with private contributions for humanitarian assistance in DAC countries (Roodman and Standley 2006). This research, however, does not analyze the design of the tax incentives and assumes that they affect giving for all causes equally. We should be cautious, however, to think that the charitable deduction affects giving for international causes in the same way that it affects giving for domestic causes. Indeed, there is plenty of evidence showing that the U.S. tax incentives for giving encourage large, planned donations by high-income donors who tend to favor causes such as the arts, education and medical research. Development and relief NGOs who rely primarily on small, spontaneous donations (usually in response to a crisis) by a large number of donors are disadvantaged by the tax incentives. In conclusion, the U.S. inducements of charitable giving offer generous incentives to high-income donors, but the relief and development NGOs do not benefit from them as much as domestically oriented charitable organizations do.

¹⁸ Research shows that 94% of the donations that churches receive come from individuals, and the majority of those individuals do not itemize their deductions and therefore do not benefit from the tax incentive (Aprill 2001: 845). There isn't an equivalent study for relief and development charities, but they rely on a similar donor base and similar size donations.

Private Spending

Private charitable contributions. The U.S. sector of private foreign assistance is indeed one of the most—if not the most—developed among major aid donor countries. In 2013, charitable giving for foreign assistance amounted to \$22,579 million, or 0.13% of GNI (OECD)¹⁹. This is in line with the well-established domestic sector of philanthropy and is reflected both in the number of active organizations and in the amount of charitable donations the sector receives.

In 2014, total charitable giving for domestic and international causes was \$358.38 billion, a 7.1% increase from the previous year (Giving USA Foundation 2013). The sector of private foreign assistance accounts for only a small portion of the total charitable giving, and it is one of the smallest charitable sub-sectors. Of the donated \$358.38 billion, only 4% (\$14.33 billion)²⁰ was given for “international affairs” in 2014. This reflects an estimated 2.5% increase from 2011, and marks a slowing of the growth in this category observed in recent years (Giving USA Foundation 2013). The “international affairs” giving category experienced the largest percent increase (15.3%) of all categories of giving in 2010 (GivingUSA Foundation 2011). But with the stabilization of the

¹⁹ The OECD Development Assistance Committee calculates the amount of private flows for foreign assistance from DAC donors. The statistic contains both grants made by voluntary agencies (e.g., NGOs, charities, churches, etc.) and private flows at market terms (e.g., direct investment, export credits, bank bonds, etc.). For the purposes of this project and following the definition of charitable giving as a donation that “benefits other beyond one’s own family” set out in the introductory chapter, I consider only the grants by voluntary agencies portion of the total private flows to be private foreign assistance (Bekkers and Wiepking 2011).

²⁰ The number calculated by USAID for the revenue of registered PVOs is higher, \$22.6 billion for FY 2012. The discrepancy is most likely due to the fact that USAID calculates the non-US government revenue that *all* PVOs registered with it collect. Some of the PVOs in the registry have small international programs and the majority of their funding is spent on domestic programs (Smillie 1999: 249).

financial situation in the U.S. Americans are gradually returning to the pre-recession giving levels and the traditionally popular domestic causes (Giving USA Foundation 2013). Religious giving is the largest sub-sector of giving: 32% of total charitable giving, or \$114.68 billion in 2014. A commonly raised concern is that the “international affairs” sector may not be capturing all the giving for causes abroad because in the past two decades many religious organizations—especially evangelical churches—have increasingly become more involved in relief and development efforts abroad. However, this risk of miscategorizing is minimized because the GivingUSA Foundation—the research institute compiling the most comprehensive philanthropy statistics—categorizes donations according to the main purpose or activity of the recipient organization (the purpose or activity that the organization is registered for with the IRS)²¹. For example, donations to St. Elizabeth’s Hospital are categorized as health giving, and not religious giving, and donations to World Vision are categorized as international affairs giving (GivingUSA Foundation 2013). In this sense, we can be fairly confident that most donations for international affairs are accounted for in the “international affairs” category.

The U.S. is unique in the presence and recent tremendous growth of philanthropic foundations such as the Ford Foundation or the Bill and Melinda Gates Foundation. However, a big portion of philanthropic giving and the large amounts being collected still come from individuals and not foundations (Dowie 2001). Of the total donated amount in 2014, 72% was donated by individuals (or \$258.03 billion), 15% by

²¹ The categories of purposes and activities were developed by the Urban Institute’s National Center for Charitable Statistics.

foundations, 8% by bequests, and 5% by corporations (GivingUSA Foundation 2011).

Of course, we should not underestimate the influence that these big foundations have on the philanthropic sector; they do indeed yield much power in the field of philanthropy and have always done so. The point is rather that the empirical record does not support the notion that the large amounts of money collected for philanthropy in the U.S. come primarily from these few big foundations. The large amounts to a certain degree reflect the significant presence of big foundations (something that is not the case in other donor countries), but also reflect a highly developed tradition of individual giving, what Olivier Zunz calls “mass philanthropy” (Zunz 2012).

The size of the relief and development NGO sector is expressed not only in the amount of funding that flows through it, but also in the number of private voluntary organizations (PVOs)²² that exist and are created every year in the United States. Between 1939 and 2004 there were 1,638 U.S. PVOs registered at some point with USAID or its predecessor agencies; and 246 of those organizations were founded prior to 1939 (McCleary and Barro 2008, McCleary 2009). Of course the proliferation of PVOs is not unique to the relief and development sector. The foreign assistance sector is part of the larger nonprofit philanthropic sector in the U.S. As with the giving levels, when we examine the entire landscape of non-profit organizations, we see that the international

²² Private voluntary organization is the term adopted by USAID and scholars in the field of humanitarian assistance to refer to nonprofit (501(c)(3) tax-exempt charitable status with the IRS) organizations that provide international relief and development services. The term originated with USAID and John Yulinski, the director of the Private and Voluntary Agencies Office in the 1970s (McCleary 2009: 174). The distinction between PVOs and NGOs is marks that in recent years for-profit organizations have been considered non-governmental.

charitable sector is a very small subset of the entire charitable sector in the United States. Only 2.06% of all public charities in 2010 were ones engaged in international and foreign affairs, and the number has not changed significantly in the decade since 2000 when the international subsector accounted for 1.7% of the total number of charities (Blackwood, Roeger et al. 2012). In August 2014, there were 548 U.S. PVOs registered with USAID; this includes both secular and faith-based organizations (U.S. Agency for International Development 2012).²³ These organizations received \$22.6 billion from non-US government and private sources²⁴, \$3.3 billion from USAID²⁵, and \$3.6 billion from other U.S. government agencies and international organizations in FY 2012 (U.S. Agency for International Development 2012). This points to the fact that despite the increased reliance of PVOs on government funding in recent years, the majority of them are still funded largely from private sources (74% of their revenue).

The U.S. Regime of International Giving—Compliance Politics

The popular understanding that the U.S. nonprofit international giving sector is exceptionally large and can make up for the low percentage of official funding for foreign assistance is not supported by the empirical record. The amount of money in real terms is substantial, but when it is compared to the amount of money that is donated for domestic causes American generosity for distant strangers does not seem all that extraordinary. Indeed, there is a clear preference for domestic causes. The second misconception that

²³ For comparison, there were 1,280,739 charitable nonprofit organizations registered under 501(c)(3) with the IRS.

²⁴ This category includes in-kind contributions, private contributions and private revenue.

²⁵ This category includes support given through the following USAID programs: Section 123 Ocean Freight, P.L. 480 Freight, P.L. 480 Donated Food, USAID grants, and USAID contracts.

this discussion disrupts is that the nonprofit sector of international assistance is an independent expression of American compassion for people abroad. Indeed, its work is highly subsidized by direct government funding and indirect inducements of private giving. Many NGOs have become more or less service providers and USAID project implementers.

The institutional arrangements, regulatory and funding mechanisms and policies from the three components of the U.S. regime of international giving produce a politics of compliance between the public and private sectors of foreign assistance. The plentiful supply of official funding for NGOs and generous tax incentives for charitable giving in combination with the strict regulations on political activities result in a level of NGO compliance that is on the one hand to be expected—that much money surely comes with strings attached and heavy oversight—but on the other hand is surprising given the large amounts of funding that NGOs receive through charitable giving. In a sense, U.S. relief and development NGOs are not using the leverage they can get from the support they receive from the American people. I argue that this surprising relationship of compliance cannot be explained by the current funding mechanisms and policy decisions, and that it can be best explained by examining the moment of creation of the U.S. regime of international giving and its historical development since the 1940s. I trace the causal processes through which we have arrived at these politics of compliance in the next chapter. In the next section I describe the British regime of international giving and contrast its politics of opposition with the U.S. politics of compliance.

Britain

Public spending

Direct provision. Britain is one of the biggest donors of official foreign assistance in the OECD-DAC, and it has consistently been working to increase the amount of aid it gives and to meet the UN target of 0.7%. In 2014, official development aid amounted to \$19.39 billion or 0.71% of GNI. This percentage increased in 2013 after a number of years in the 0.5% range. The bilateral portion of the total aid spending was 65%, and debt relief accounted for £62 million (0.7% of total aid spending) in 2012. The Department for International Development (DFID) administered 88% of this expenditure; and 60% of the DFID budget was spent on bilateral assistance, 37% went to multilateral aid, and 4% was spent on administrative costs (Department for International Development 2010). The non-DFID portion of aid spending (12% of total aid) was allocated by other government departments (e.g., Export Credit Guarantee Department, Foreign and Commonwealth Office, Department of Energy and Climate Change, UK Border Agency support of refugees), Gift Aid²⁶ for British NGOs, colonial pensions and other. This distribution has been stable in the past few years and demonstrates a system less fragmented than the U.S. one.

In comparison with other DAC donors, Britain ranked 2nd in 2014 in terms of official development assistance expressed in real terms (See Figure 3.1). And since 2005, it has consistently increased the amount of official foreign assistance in line with the

²⁶ The British government counts Gift Aid (income taxes paid by individuals on donations to charities and that the charities reclaim at the end of the fiscal year) as ODA spending. The U.S. government cannot count the tax revenue it foregoes through tax deductions for charitable contributions as ODA spending because that money stays with individual taxpayers.

repeated government pledge to support foreign aid and development (See Figure 3.5 for aid levels since 1960). When aid is expressed as percentage of GNI (or aid spending relative to the size of the economy), the UK ranks 5th among DAC donors with an ODA/GNI ratio of 0.71% in 2014 (See Figure 3.2). Aided by much rhetoric from government officials on the British commitment to development, cross-party consensus on the need to increase foreign aid spending, and broad public support for aid, Britain achieved the 0.7% UN aid target as planned in 2013.

Indirect provision. The share of official funding channeled through British charities is very small, 7%, especially when compared with the 50% in the U.S. (Organisation for Economic Co-Operation and Development 2010). British NGOs have traditionally preferred to keep their reliance on official funding low even when such funding is easily available because they fear being too dependent on the government and becoming its “servants.” Christian Aid and World Vision UK, two of the largest British relief and development NGOs, rely on government funding for a very small portion of their income (2.6% and 12% respectively) compared to NGOs in other European countries (Warren 2005).

DIFD channels official funding to British charities through three main funding mechanisms: Programme Partnership Agreements (PPAs), the Global Poverty Action Fund (GPAF), and UK Aid Match. PPAs (formerly Public Partnership Agreements) are the main source of official funding for British NGOs. They are 3-year framework agreements that are based on agreed-upon broad strategic outcomes such as poverty reduction, and the grants are intended to support the work of these organizations in

general (vs. a specific project). Charities design the projects they want to implement themselves, and DFID requires the projects to work towards the Millennium Development Goals and the money be spent in countries on the LDCs list. These two requirements are not terribly restrictive and fall in line with the goals of poverty reduction British charities already have. Currently 41 charities have partnership agreements with DFID, and some of the large relief and development organizations have had agreements since the PPAs were first introduced in 2000. PPAs are a very responsive type of funding, and they impose the least government oversight on NGO work (Pratt, Adams et al. 2006).

DFID provides project-specific funding to British charities through the newly developed Global Poverty Action Fund (GPAF). Previously project funding was handled through the Civil Society Challenge Fund and originally through the Joint Funding Scheme.²⁷ All proposed projects have to work towards poverty reduction and meeting the MDGs, and the money is to be spent in least developed countries. There are two grant options: small (up to £250,000) and large grants (min £250,000 – max £4 million). Matching funding is required only for the large grant projects, and NGOs are required to raise at least 25% of the cost from private sources. The GPAF is geared towards small and medium sized organizations, and organizations that hold PPAs are ineligible to apply. Last year, DFID funded 77 charities through GPAF.

In June 2011, DFID launched its newest co-funding initiative, UK Aid Match, in which it matches pound for pound private donations for poverty reduction projects in developing countries that rank in the bottom 50 of the Human Development Index. The

²⁷ More on the Joint Funding Scheme in Chapter 5.

initiative returned to the 50% co-funding principle of the first Joint Funding Scheme, but introduced a new element of public approval. This directly ties government funding to the public endorsement of NGO work, and also associates DFID with the traditionally positive image that British overseas charities have. In the first wave of the initiative, DFID supported 18 appeals with £42 million, and the second wave that began in August 2013 is planned to spend £120 million over 3 years. Charities are required to raise at least £100,000 per appeal, for a maximum of £5 million. This initiative is geared towards large well-established charities that can hold a successful popular appeal and raise the required minimum amount. For example, DFID matched the first £5 million that Christian Aid raised during their annual Christian Aid Week appeal in 2012.

Most of DFID's funding for charities is responsive. DFID works with charities through a few programs that provide multi-year and/or renewable funding, and it has been much slower than USAID to introduce oversight and reporting requirements. Actually, DFID has increased the amount of funding it channels through responsive funding by increasing the number of PPAs and introducing UK Aid Match. DFID has made some steps towards increasing its oversight of NGO work like decreasing the time frame of PPA from 5 to 3 years and requiring annual reports. But it has for the most part continued to treat British charities as partners and not contractors.

Indirect government intervention in private spending

Regulation. In Britain, the laws regulating the work of charities remained surprisingly unchanged since they were put in place in the 17th century until 1995 when minor reforms were implemented (Smith 1989, Saunders 2009). The 1601 *Statute on Charitable Uses* established that the charities' responsibility is to relieve poverty and

appointed commissioners to monitor their activities (Kendall and Knapp 1996).

Similarly to the U.S. lobbying limitation, the Charitable Trusts regulation requires that charities do not do any political work in order to keep their tax-exempt status. For example, they can relieve the effects of poverty, but they cannot take any actions to change the conditions that lead to poverty. The Charity Commission, created by the 1853 Charitable Trusts Act, has been monitoring that the charities do not break the boundaries of their charitable trusts. Only organizations registered with the Charity Commission can apply for government funding, and thus not engaging in political work is a key criterion for eligibility for grants, and more importantly, for preserving their tax-exempt status. In contrast with U.S. NGOs, British charities have not complied quietly with these regulations and have consistently worked to change them. To side step these limitations, many charities have set up side organizations, which are in charge of their political work and are funded through separate non-tax exempt income. Many charities have pushed on the boundaries of these regulations and have achieved some loosening of these limitations. This is an example of the sense of independence that charities have and their willingness to challenge the rules. For comparison, U.S. non-profit organizations registered as 501(c)3 organizations with the IRS face similar limitations on their ability to lobby and engage in political activities. However, the U.S. NGOs have mostly complied with this limitation. By setting up side organizations British charities have been able to go around the charitable trusts regulation, but the notion that the charities' role is to give only relief from poverty has persevered for much longer than expected. This separation of fighting poverty and ameliorating its effects set up in the 17th century persisted even

when it had outlived its original purpose. I discuss in detail the challenges that the charities have faced and the reforms they have pushed for in chapter 5.

Inducements of private giving. Britain does not offer as generous tax incentives for charitable giving as the U.S. does, but the British tax instruments directly benefit relief and development charities and position them as the main stakeholders in tax reforms. There are three tax instruments that induce private charitable giving in Britain: deed of covenant, payroll giving (introduced in 1987), and Gift Aid (introduced in 1990) (Michels 2001). All three instruments have been reformed over the years to achieve greater simplicity, to make them more useful to the charities receiving the donations, and to make them more attractive to individual donors. While the reforms have introduced some benefits for donors, the spirit of the system has remained the same, and the primary beneficiaries of the incentives remain the charities. The most important characteristic of the instruments—tax incentives benefit the charities and not the donors—has been preserved. This key characteristic has made the charities the main stakeholder in the reforms and has given them a strong position that they have been able to use to prevent reforms that would have taken this benefit away from them. The most widely used instrument Gift Aid (and previously the deed of covenant) allows charities to reclaim the income tax that the donor has already paid for the money she has donated. In other words, these instruments increase the value of the donor's gift to the charity, and do not decrease the amount of tax she pays. Thus, the British tax incentives are based on a different principle than the U.S. tax incentives. In this section, I describe the three tax instruments for charitable giving in the UK beginning with the deed of covenant and Gift Aid, and I

explain how they are different from the U.S. ones. I discuss the reasons for the inability of actors to push for radical reforms of these tax instruments to ones similar to the U.S. system in Chapter 5, which examines the historical development of the British regime of international giving.

Deed of covenant and Gift Aid. The deed of covenant is the oldest instrument of charitable giving in Britain, and it was the only tax incentive available until the late 1980s, when payroll giving was introduced. The deed of covenant was first established in the 1920s, and its original purpose was to regulate the transfer of promised regular payments, not specifically charitable giving (Morgan 2000). Charitable giving, even before the introduction of the deed of covenant, had been exempt from taxes since Elizabethan times (cite). But the deed of covenant introduced the practice of allowing charities to reclaim from the government the taxes that the donor had already paid. Currently very few donors use the deed of covenant because there are less complex ways to achieve the same results (e.g., Gift Aid described below). However, it is important to understand how the deed of covenant functioned because the newer charitable giving tax instruments are based on the deed of covenant principle, and they have preserved the idea of tax-efficient giving (i.e., increasing the value of the gift to the charity) introduced by the older instrument.

The deed of covenant functioned differently from a charitable contribution deduction (the tax instrument at work in the United States) in that the donor made a contribution to a charity from her after-tax income, and at the end of the fiscal year, the charity reclaimed the taxes that the donor had already paid to the government. For

example, if a donor made a £100 donation, the charity was entitled to reclaim an additional £25 (20% income tax paid at the basic tax rate²⁸ on income of £125) from Inland Revenue at the end of the fiscal year. This brought up the total value of the donation to the charity to £125 (£100 from the donation and £25 from the reclaimed tax at the basic rate). The assumption was that the donor had already paid 20% income tax on the £125 in income. This principle is called tax-efficient giving because it increases the value of the donation by adding to it the tax that has been paid on that income. In this system the charity received money from a single donation via two streams of funds: 1) the check written by the donor (received immediately); and 2) the reclaimed taxes from the government (received at the end of the fiscal year)²⁹. In that way, the funding that charities received due to government tax policies was separated from the funding they would have presumably received in the absence of those tax regulations (i.e., the actual amount of the donation). In other words, the role of government tax policy towards charities was emphasized to the charities through that second stream of funding they received at the end of each year (Schuster 1985). This is in stark contrast with the U.S. charitable donation deduction, which benefits U.S. non-profits indirectly by theoretically encouraging donors to give larger donations. The role of government policy was also emphasized to the donors through the publicity about this tax instrument that they receive from the charities and the paperwork they fill out so that the charities can reclaim the

²⁸ In 2011/2012 the basic tax rate was 20%, and it was paid on taxable income up to £35,000. The higher tax rate was 40%, and it was paid on income between £35,001 and £150,000. The additional tax rate was 50%, and it was paid on income higher than £150,001.

²⁹ In April 2008, the basic tax rate was reduced from 22% to 20%. To compensate the charities for the lost revenue resulting from this reduction and to allow them to adjust their fundraising strategies, the government gave the charities an additional three pence for every donated pound from 6 April 2008 and 5 April 2011. This was called “transitional relief.”

taxes. Equally important is that this tax instrument positioned the charities as the main stakeholders in the system, and as a consequence the charities have become the major lobby for the preservation of this tax incentive. Thus, the discussions surrounding the reforms of charitable giving rules have been centered around preserving the income of charities and not around lowering the income tax of donors (as has been in the U.S.). The discussion has been distanced away from other reforms of income tax legislation.

In its original form, the deed of covenant required a donor to make a commitment to donate a set amount to a charity each year for at least six years, and most charities set a required minimum amount as to ensure that the deed exceeded the administrative costs of processing it³⁰. One-time donations did not qualify, and charities could not reclaim any taxes paid on these donations. The deed of covenant was therefore used primarily by affluent donors who could afford a sizeable yearly donation, and who could guarantee that they would make that donation for the required minimum number of years. In that regard, the deed was very similar to the U.S. charitable contribution deduction. I explain below how with the move towards GiftAid the government reformed these characteristics and opened the tax incentives to a large number of donors. In addition to the complexity of setting up the deed and the long-term commitment encountered by the donor, the charities faced an administrative burden of setting up the deeds and of processing the tax claims at the end of each fiscal year. Despite this administrative burden, however, charities benefited tremendously from the system because the requirement that donors

³⁰ The six-year minimum requirement was introduced by the Revenue Act of 1922 in an effort to reduce the potential for abuse of the long-standing principle of the deed of covenant (Michels 2001). In the mid-1980s the time commitment was reduced to four years.

give for a minimum of six years guaranteed them a consistent flow of donations for at least that number of years.

Until the Finance Act of 1980, the deed of covenant was “pure,” which meant that charities could reclaim taxes on donations only at the base tax rate (30% in 1980). In other words, if the donor was in a higher income band and paid taxes at the higher tax rates (between 40-60% in 1980), the government kept the difference between the amount of taxes paid by the donor and the amount the charity reclaimed. The Finance Act of 1980—among other tax reforms designed to lower taxes—introduced a higher tax relief element to the deed of covenant (Schuster 1989). The higher tax relief allowed the donor to reclaim the difference between the amount of taxes paid and the amount that the charity reclaimed. In effect, this reform introduced a tax incentive for high-income donors, but the main beneficiary remained the charity. Note that even after this reform a charitable donation did not adjust the marginal tax rate of the donor as a U.S.-style charitable contribution deduction does. Since 1990, the deed of covenant has gradually been replaced by Gift Aid, which allows charities to reclaim taxes on one-off and/or smaller donations, which has made the tax instrument more beneficial to international giving charities that rely on spontaneous donations.

Gift Aid is the newest and most widely used tax instrument for charitable giving, and it was especially designed to encourage charitable giving by simplifying the deed of covenant. John Major’s Conservative government introduced it in 1990, and it allowed charities to reclaim taxes on one-time donations of at least £600 and no more than £5 million a year in the same way in which they reclaimed taxes on deeds of covenant. The

minimum donation amount was gradually reduced to £250 in March 1993 and eliminated in April 2000; the maximum limit was abolished completely in 1991. As with the deed of covenant, donors who pay income taxes at the higher rate receive the higher-tax relief (the difference between the amount the charity reclaims at the basic rate and the amount of income tax paid at the higher rate).³¹ Another simplification the new instrument introduced was that charities could reclaim the taxes without signing a complex deed. Gift Aid requires only a declaration from the donor that she agrees for the taxes to be reclaimed and provides her tax information; the declaration can be obtained over the phone, the internet or on paper. Currently around 90% of tax efficient giving is done through Gift Aid, and the average value of the gifts has decreased substantially since it was introduced in 1990, indicating that tax-efficient giving is used now for smaller gifts and/or by lower-income donors (Pharoah 2010).

It is important to note that Gift Aid (and previously the deed of covenant) does not only channel the benefits of tax-efficient giving to the charities and not the donors, but it also defines how the British think about charitable giving. It compels British donors to think about how much more money the charity of their choice can reclaim from the taxes that they have already paid. Indeed, the government considers ensuring that the selected charity receives the maximum possible benefit of a donation to be the single most important incentive for donors (HM Treasury, Office of the Third Sector et al. 2007). And because the donation comes from after-tax income, the donor's thinking is

³¹ From 2005 to 2012, higher rate taxpayers could choose to further donate their higher-tax relief to the charity through the SA Donate scheme on their self-assessment tax forms at the end of the fiscal year. The government decided to discontinue this option because it was used very rarely and because there were fears and suspicions of its fraudulent use.

similar to making any other after-tax purchase. For comparison, the charitable contribution deduction in the United States compels the donor to think about how the donation will affect her marginal tax rate. In the U.S. tax system, the amount the charity receives is the amount that the check is written for, and the beneficiary of the tax deduction is the donor. Of course, charities benefit indirectly from the fact that donors have higher disposable income to spend on charitable giving. But the connection is not as clear to U.S. NGOs as receiving a second stream of funding is to British charities. The key thing is that the structure of the British system of tax incentives makes the charities the main stakeholders, while the U.S. system makes the donors, and particularly affluent individual taxpayers, the main stakeholders. This difference has contributed significantly to the way in which tax incentives for charitable giving are discussed in the UK, to the inability of actors to push for reforms that would introduce more benefits for donors, and the ability of charities to push for reforms that have made tax-efficient giving accessible to more donors.

One of the important aspects of the British institutions of incentivized giving is that the principle of tax-efficient giving (i.e., charities receiving the benefits of charitable giving) has remained unchanged even through a number of reforms of the tax instruments and the presence of some pressures to shift to a more donor benefiting system. The issue of shifting the incentive structure towards donors has been raised a number of times, and especially during the multiple consultations on charitable giving. These reform attempts have been unsuccessful even in times when lowering taxes has been an important and popular goal in part because the structure of the system focuses the reform discussions on

the preferences of the main stakeholders in the system, the charities. The charities (both with domestic and international focus) have pushed very hard to preserve tax-efficient giving and make it available to more and more donors of varied means. Gift Aid and the principle of tax-efficient giving are especially beneficial for international charities because they rely primarily on spontaneous small donations. The U.S. tax incentives have the opposite effect; they benefit affluent donors who make large planned donations—the kind of donations that non-profit organizations in the arts, education, and the medical field rely on, but NGOs in the relief and development field receive less often.

Payroll giving. Payroll giving is the only tax instrument in the UK in which all of the tax benefit goes to the donor (as it does in the U.S. tax system). It was introduced in 1987. Employees authorize their employer to deduct a set amount from their monthly paycheck to be donated to a charity of the employee's choice or a group of charities. Pensioners can also participate in payroll giving as long as they pay taxes on their pensions through the pay-as-you-earn system³². Until April 2000, the maximum amount an employee could donate through this scheme was £100 per month or £1200 per year; currently there is no maximum limit (Michels 2001). The employer does not know which charities receive the donations because they transfer the funds to a payroll giving agency³³, which then channels the donations to the nominated charities. Payroll giving

³² Most taxpayers in the UK pay taxes through the pay-as-you-earn system. Only about 1/3 of taxpayers fill out self-assessment tax forms at the end of the tax year; taxpayers need to file self-assessment forms if they are self-employed, a director of a company, have annual income higher than £100,000, have income from overseas, and in some other special cases.

³³ Currently, there are thirteen government-approved payroll giving agencies. All the agencies are charities themselves.

donations are made before income taxes are calculated (but after National Insurance contributions are taken out), and thus the employee does not pay income tax on the donations. For example, if the employee authorizes a £10 monthly donation and she pays the base rate income tax of 20%, she saves £2 in taxes (20% on £10) and the donation costs her only £8. The charities cannot reclaim taxes on these donations because income tax was not paid on this income. The payroll giving scheme benefits the donor by reducing the amount of income taxes she pays; however, the scheme does not lower her tax rate. Charities lose on revenue that they could have reclaimed if the donation was made through Gift Aid, but they benefit from the regularity of the donation.

Despite the fact that donors receive more tax benefits through this form of giving than through Gift Aid, very few people use payroll giving. Only 3% of tax-efficient giving in Britain is done through this tax instrument (Pharoah 2010). In the fiscal April 2010-May 2011 year, charities collected £114 million through payroll giving schemes from 720,000 employees (Payroll Giving Centre 2012). This is a very small amount compared to the £1,130 million in tax repayments that charities received through Gift Aid the same year. And the government estimates that its cost of tax relief for individuals since 2007-08 has been £30 million each year (HM Revenue and Customs 2011). One of the reasons for the low participation rate is that taxpayers can give through payroll only if their employer or pension provider runs a payroll giving scheme.³⁴ In the 1997-98 tax

³⁴ Employers can get tax relief for the costs they accrue in administering the payroll giving scheme, and surveys show that employers' main concern is not the cost of the schemes, but the administrative burden they perceive would be added. Employers already running such schemes find that the administrative burden is not significant (HM Revenue and Customs 1999).

year, less than 1% of employers operated payroll giving schemes, and less than 2% of employees (about 370,000 people) gave to charity in this way (HM Treasury 1999, Michels 2001). A 1999 research study co-sponsored by the government and the two largest charity umbrella organizations, Charities Aid Foundation and NCVO, showed that the main inhibitor to the success of payroll giving is the unawareness and/or misunderstanding about the scheme among donors and employers (HM Revenue and Customs 1999). Currently, there are a number of NGOs who promote the payroll giving schemes, and they have been met with support from big corporations. For example, in 1999, Marks & Spencer and the New Millennium Experience Company sponsored the campaign “A Children’s Promise” encouraging people to donate their last hour’s pay of the millennium to charity through payroll giving schemes. The government itself has run a number of campaigns to promote the scheme. From 6 April 2000 to 5 April 2004, the government paid charities a 10% supplement on all donations made through payroll giving schemes. These and other campaigns have produced some results, but payroll giving remains largely unpopular. In a 2012 study, the majority of charities surveyed stated that they relied on payroll giving for less than 2% of their income, and they expressed serious doubts that payroll giving can yield much better results without serious reforms of the current system (Institute of Fundraising 2012). The fact that the payroll giving scheme—which benefits only the donors—has remained fairly unpopular among donors suggests that tax benefits are not the key motivator for British donors.

To summarize, the British tax system does not offer as generous incentives for individual donors as the U.S. system does. However, it benefits British charities in a more

direct and visible way, and it positions them as the main stakeholders in tax reform discussions. And equally importantly, the inducements for giving can and are used by a wider number of people and regardless of their income level. Relief and development charities that rely on smaller and spontaneous donations benefit from the tax incentives as much as the large arts or education charitable organizations.

Private spending

Private charitable contributions. In 2012, charitable giving for foreign assistance in the UK amounted to \$1025.39 million, or 0.04% of GNI (OECD). This marks a substantial increase from the previous year when charitable giving was \$630.8 million. The UK ranks in the bottom quarter among DAC donors on private foreign assistance in both real and relative terms (See Figure 3.3). It should be noted, however, that the UK has only in recent years fallen below the 0.02% of GNI mark, and it was briefly surpassed by Sweden only in 2009-10 (See Figure 3.6). Since 1960, when OECD began reporting the amount of grants by voluntary agencies, the UK has mostly hovered between 0.02% and 0.04% of GNI, with a slight spike in the late 80s-early 90s (Figure 3.6).

The UK Giving report is compiled by the National Council for Voluntary Organisations (NCVO) and the Charities Aid Foundation (CAF), the two largest umbrella organizations for NGOs and charities, and is one of the most extensive surveys of the third sector in the UK, with a sample of 3,319 respondents in 2011/12 (Dobbs, Jochum et

al. 2011, Dobbs, Jochum et al. 2012). According to the 2012³⁵ edition of the report, 55% of adults in the UK donated to charitable organizations in 2011/12, and the total amount given by individual donors is estimated to be £9.3 billion (Dobbs, Jochum et al. 2011). Figure 3.7 shows the estimates for total charitable giving since 2004. As can be seen, both the amounts given and the number of people giving to charity (between 54-58%) have been fairly stable across the years in which the survey was carried out. The typical gift was £11 measured by the median (so half of the contributions were under £11), and £31 measured by the mean (the mean is affected by large donations). Only seven percent of donors gave more than £100 a month, but their donations accounted for 45% of total giving (Dobbs, Jochum et al. 2011). This points to a sector dominated by higher-income donors, especially since the survey did not sample among the biggest philanthropists who give much larger donations (£1 million or more). Figure 3.7 provides a summary for these characteristics of charitable giving in the UK from 2004-2011.³⁶

Of the total number of donors, 14% gave to overseas causes and their donations accounted for 10% of total British charity in 2011/12 (Dobbs, Jochum et al. 2012). This marks a continued decrease from previous years when giving to international causes was 17% in 2011 and 24% in 2010; but is a return to the typical level of earlier years (See

³⁵ Prior to 2004, CAF and other organizations conducted a variety of similar studies, but since the methodology is different to each wave of the pre-2004 survey, the results are not easily comparable.

³⁶ The 2007-8 Citizenship Survey conducted by the UK Department of Communities and Local Government estimated much higher numbers of giving than UK Giving Reports. The survey reported that 76% of people in England and Wales had given money to a charity in the month prior to the survey; the average amount given in that month was £16.13. Kitchen, S. (2009). 2007-08 Citizenship Survey: Volunteering and Charitable Giving Topic Report. Department for Communities and Local Government. London, Department for Communities and Local Government..

Figure 3.7) (Dobbs, Jochum et al. 2011). The overseas and disaster relief category was the fifth largest, with medical research (33%), hospitals (30%), children (23%), and animals (16%) being the most popular. However, overseas giving had the second largest median gift (£10) among giving categories. The mean and median of overseas donations in the UK are very close to—and usually higher than—the typical charitable gift, and this indicates that most people do not make especially large or especially small donations to international causes. A different report compiled by NCVO, estimated religious and overseas giving to be the two most popular categories of giving (National Council of Voluntary Organisations 2010). As in other countries, giving for overseas causes is highly sensitive to disaster appeals. In years with big and widely “advertised” disasters giving for these causes increases significantly. In 2010, 48% of donors gave to the Haiti appeal, and in 2004, 81% gave for the Asian Tsunami appeal (Dobbs, Clark et al. 2010).

Precise comparisons with the United States and Sweden are difficult because the surveys available for different countries do not report the same indicators and use different methodologies. However, there are some national trends that are comparable and help us understand the variation of private giving between countries. In both Britain and the U.S., a small percentage of individual donors accounts for about half of the total charitable giving: 7% of donors gave 50% of the total donations in the United States in 2000, which is almost identical to the UK estimates, 7% of donors giving 45% of the total donations (Figure 3.7) (Havens, O’Herlihy et al. 2006, GivingUSA Foundation 2011).³⁷

³⁷ Research on large gift donors (£1 million or more per year) in the UK indicates that the number of donations and the amounts donated are fairly low compared to the large gift donors in the United States Dobbs, J., V. Jochum, K. Wilding, L. Lipscomb, M. Smith

Most importantly, charitable giving for overseas causes is much more popular in the UK (14% of donors; 10% of total amount donated in 2011/12) than it is in the United States (4% of total amount donated) compared to giving for other causes (Dobbs, Jochum et al. 2011, GivingUSA Foundation 2011, Dobbs, Jochum et al. 2012). Of Britain's 50 largest charities, 12 are relief and development organizations (Randel and German 1999). These numbers indicate that while the U.S. level of private giving for foreign assistance is very high in comparison with Britain and Sweden (Figure 3.3), the amount given for overseas causes is a much smaller portion of the total charitable giving in the United States. In Britain, on the other hand, while the level of private giving is low in comparison with other countries, it accounts for a bigger portion of the total amount of charitable giving, and indicates a higher commitment to foreign assistance causes and the strength of relief and development NGOs.

Like in the U.S., religious giving is the fastest growing category of giving in Britain. But in Britain, religious giving is much smaller than in the U.S.: 14% of donors; 17% of total amount donated in Britain, and 60% of donations; 32% of total amount donated in the U.S. And religious giving is the fifth most popular category in the UK, while it is the largest giving subsector in the U.S. (Dobbs, Jochum et al. 2011, GivingUSA Foundation 2011, Rosenberg, Rooney et al. 2011).

An important characteristic of charitable giving in the UK is its stability. Almost all key indicators (number of people giving, total amount donated, average size of gifts)

and R. Harrison (2011). UK Giving 2011: An overview of charitable giving in the UK, 2010/11. London and Kent, National Council for Voluntary Organisations and Charities Aid Foundation.. As an illustration, what counts as a large gift is very different in the two countries: £1 million in the UK vs. \$50 million (almost £32 million) in the United States.

have remained stable in the past seven years despite a number of campaigns and initiatives to encourage giving and financial pressures that discourage giving. Commentators point to this stability as a challenge for achieving more involvement in giving and raising the total donated amounts (Dobbs, Jochum et al. 2011).

The British Regime of International Giving—Opposition Politics

The contemporary British regime of international giving emerging from this overview of the three elements of the regime is characterized by a strong government commitment to official development aid gradually increasing in recent years to 0.71% of GNI, and a strong overseas charitable giving sector. Like U.S. PVOs, British charities have faced strict limitations on their political activities, but unlike the U.S. PVOs, they have fought against them and have been able to chip away at the harshest regulations. They have also been able to push for a “democratization” of the tax incentives for charitable giving and thus make the tax incentives more beneficial for relief and development charities. Despite the fact that British charities know exactly how much funding they receive in reclaimed taxes through GiftAid, they have been able to remain a fairly strong and independent sector, and have not given into pressures to be treated like government subcontractors. Even though British charities do not have access to as much charitable giving as U.S. PVOs, they have been able to use their positive public image as leverage and have put up opposition not only to the regulatory measures limiting their activities, but also to official foreign aid policy.

Sweden

Public Spending

Direct provision. International organizations and NGOs celebrate Sweden as the most generous donor of official foreign assistance in the OECD-DAC. In 2014, official development aid amounted to \$6.22 billion or 1.1% of GNI (OECD). Sweden has received acclaim also for spending its aid multilaterally. The multilateral portion of the total aid spending was 53% in 2012. The Swedish International Development Cooperation Agency (Sida) administers about half of the total aid budget, and channels most of the funds through bilateral assistance either through Swedish NGOs, local NGOs or directly through governments. The non-Sida portion of aid spending (about half of the total aid) is spent by the Ministry of Foreign Affairs mostly through multilateral channels. This distribution has remained fairly stable in the past decade.

In comparison with other DAC donors, Sweden ranked 6th in 2014 in terms of official development assistance expressed in real terms (See Figure 3.1). And since 1998, it has consistently increased the amount of official foreign assistance it provides to meet the high levels of the mid-90s and in line with the repeated government pledge to support foreign aid and development (See Figure 3.5 for aid levels since 1960). However, when aid is expressed as percentage of GNI (i.e., relative to the size of the economy), Sweden ranks 1st among DAC donors with an ODA/GNI ratio of 1.1 percent in 2014 (See Figure 3.2). Sweden was one of the first countries to achieve the 0.7% UN aid target, and since 1974 it has worked to meet its own goal of giving 1% of GNI. It met this goal in 2013. An important characteristic of the Swedish foreign aid regime is that the commitment to development aid, the fundamental principles of providing aid, and the dedication to meet

the high spending level targets set by the UN and the Swedish government have remained almost the same since the inception of the first official aid agency in 1962. There have been no major reforms either in how much aid is spent or in the way it is delivered even when the government has changed party hands.

Indirect Provision. In 2012, Sweden channeled 8% of its foreign assistance spending through Swedish NGOs. This is a fairly low number compared to the U.S. portion of official aid spent through national NGOs (50%). The Swedish government provides funding to NGOs mainly through Sida; the only other agency that funds Swedish NGOs is the Ministry of Foreign Affairs, and it spends less than 1% of its budget on NGO funding. Swedish embassies do not distribute funding like USAID field offices and UK embassies do (Randel and German 1999). Sida has three types of funding mechanisms for Swedish NGOs: framework agreements, strategic partner agreements, and special support for democratization and freedom of expression projects. Swedish NGOs also receive funding to provide development education in Sweden. All three types of funding are responsive and multi-year and involve very little oversight from Sida. The agency is unique in that it has not introduced measures towards stricter regulation and control over NGO projects funded with official aid. On the contrary, Sida has moved towards giving large NGOs and umbrella organizations the powers to distribute funds to smaller NGOs through their own application and evaluation procedures.

The framework agreements are perennial agreements with some of the largest Swedish NGOs to support their development cooperation work with Swedish and local NGO partners in developing countries. Currently Sida has framework agreements with 15

organizations³⁸ including Forum Syd, the umbrella organization for 200 smaller Swedish NGOs working in relief and development. In 2012, Sida spent SEK 1.5 billion (\$230 million) through framework agreements. Framework agreement funds pay for up to 90% of the cost of NGO work, and Swedish NGOs raise the other 10%. There are almost no limitations on the kinds of projects NGOs can fund through the framework agreements. And because the framework agreement NGOs partner with both Swedish and local NGOs and Sida does not have control over the selection or evaluation of the projects, Sida's ability to micromanage or impose any direct control on the projects is minimized. The only oversight Sida has over the framework agreement NGOs is the audits of NGOs it does every five to six years (Pratt, Adams et al. 2006).

Forum Syd, the biggest organization holding a framework agreement with Sida, is an umbrella organization made up of 200 smaller Swedish NGOs working in relief and development. Forum Syd provides two benefits to the Swedish NGO community. It allows smaller NGOs that might not have the capacity or desire to apply for long-term funding like the big NGOs to receive Sida funding. And more importantly for the question of NGO dependence, channeling the funding through an umbrella organization limits Sida's oversight over NGOs day-to-day activities (Pratt, Adams et al. 2006). Sida has delegated the application process and evaluation of projects to Forum Syd and the other umbrella organizations because it believes that they have better knowledge and

³⁸ Forum Syd, LO-TCO Secretariat of International Trade Union, Olof Palme International Center, PMU InterLife, MyRight (former SHIA- Swedish Organizations of Persons with Disabilities International Development Cooperation Association), Swedish Mission Council, AGS – Africa Groups of Sweden, Diakonia, Swedish Cooperative Centre, Nature Conservation, Save the Children, Swedish Church, Plan Sweden, RFSU – Swedish Association for Sexuality Education, World Wildlife Fund

understanding of NGO work (Pratt, Adams et al. 2006). In general, the relationship between Sida, Forum Syd and its member organizations is very peaceful with much informal communication between the agency and the umbrella organization (Pratt, Adams et al. 2006).

The framework agreements program is one of the most generous co-funding schemes among OECD-DAC donors, and among the three countries studied here. NGOs are required to raise only 10% of the funding for a proposed project from private sources; and this portion has gradually declined from 20% in the 1980s. There has been little reform of the co-funding scheme since its creation. This is in stark contrast with Britain, where the co-funding scheme has been reformed, repealed and reinstated a number of times since its creation in 1975, and the U.S., where much of the funding for NGOs is channeled through constantly-changing initiatives and project solicitations.

Strategic partner agreements, the second type of funding Sida has for NGOs, are four-year agreements with Swedish NGOs who provide humanitarian and conflict-related aid. Like the framework agreements, the strategic partner agreements are entirely responsive and pay for up to 100% of the cost of the project. The funding for humanitarian and conflict-related aid is even further removed from Sida's oversight as the implementation and responsibility for the projects stays entirely with the NGOs. Forum Syd and other umbrella organizations cannot apply for humanitarian aid funding, and thus smaller Swedish NGOs who do not apply for the agreements do not have access to humanitarian aid funds either.

And the last type of funding Sida has for NGOs is through initiatives in special policy areas such as women's empowerment and democracy building. The Swedish Special Initiative for Democratization and Freedom of Expression is the latest such initiative launched in 2009. In 2012, Sida spent SEK 215 million (\$32.86 million) on 25 projects selected from a wide call for proposals. These initiatives are open to a variety of actors—Swedish NGOs, international organizations and INGOs, individuals—to capture a diverse set of proposals and solutions. The funding is fairly short-term (3 year agreements) when compared to the other two funding mechanisms, but is longer-term when compared to the special initiatives Britain and the U.S. have. Sida has not delegated the selection process for these initiatives to the umbrella organizations, and is instead handling the application, selection and evaluation process itself.

Much of the literature on the Swedish third sector has proceeded from the understanding that the sector is almost entirely funded by the government, and thus can hardly be considered independent. A look within the sector shows that there is a big difference between the different categories of voluntary organizations. While organizations engaged in the provision of welfare services (e.g., health care, education, social services) are funded mostly by the government (from 87.1% for health care organizations to 53.7% for education and research organizations), organization involved in international activities receive only 49.1% of their total revenue from the government and 36.8% of their revenue comes from donations (Wijkström 1997). More importantly, NGOs do not receive funding from Sida for individual projects, but rather apply for multi-year framework or strategic partner agreements and/or project funding through

umbrella organizations. This funding mechanism prevents Sida from having direct control over NGO work (Dreher, Mölders et al. 2010). Technically, NGOs are not required to spend Sida funds in countries with which Sida has bilateral partnerships, but in reality Swedish NGOs do not operate projects in many non-Sida partner countries (Dreher, Mölders et al. 2010).

Indirect government intervention in private spending

Regulation. The Swedish government does not regulate Swedish NGOs as strictly as the U.S. and British governments do. Registering a charitable organization in Sweden is fairly simple and anyone is eligible to do so. In contrast to the U.S. and Britain, Swedish non-profit organizations face no limitations on the types of activities in which they can engage, but they can receive income tax exemption only for activities that qualify them as charitable organizations (Lundström and Wijkström 1997). In other words, the income tax exempt status is attached to the activities and not to the organization. Nonprofit organizations can thus freely participate in lobbying and other political activities without fearing that they would lose their status and/or establishing separate organizations that are not tax exempt and can participate in lobbying. Nonprofit organizations are exempt from income and wealth tax³⁹ for most of their activities, and they have to be registered as nonprofits with the Central Tax Office for the exemption to be in effect. There are three conditions that an organization has to meet to be considered a nonprofit. First, its purpose should be considered a public good. Second, almost all of its income (80%) should be used towards that purpose (rather than benefitting its board of directors, for example). And three, the main activity of the organization should be geared

³⁹ They are not exempt from payroll and value added tax (Gjems-Onstad 1996).

towards achieving the stated purpose (Lundström and Wijkström 1997). In comparison to the U.S. and Britain, these regulations are geared towards ensuring that nonprofit organizations do not divert resources towards other goals and purposes (such as benefiting its members under the guise of charity) rather than limiting the actions they can take to fulfill their stated public good purpose. The lack of limitations on political activities is in part due to the fact that many political organizations (e.g., labor union, popular movements)⁴⁰ are registered as nonprofit organizations, and they would not allow for such limitations to be imposed.

Registration with the Central Tax Office allows nonprofits to use the special fundraising giro accounts that the Post Office maintains. These giro accounts are recognized as ones belonging to a charitable organizations and therefore are an indispensable fundraising tool (Smillie and Filewod 1993). The Post Office also requires them to submit annual reports to the Foundation for Fund-Raising Control (*Stiftelsen for Insamlingkontroll*), which is a non-governmental organization itself (Smillie and Filewod 1993). NGOs have to submit annual reports to the Foundation, but the Foundation rarely cracks down on them.

In order to be eligible to apply for Sida funding, NGOs have to be registered as non-profit organizations with the Central Tax Office, and they need to have existed for at least two years (Smillie and Filewod 1993). But as I said above, Sida has delegated the monitoring and regulations of most NGOs to the few big NGOs and umbrella

⁴⁰ Trade or labor unions are considered nonprofit organizations, but they are not exempt from income tax; this distinction is similar to the different status of 501(c)3 and 501(c)4 organizations in the U.S.

organizations. It has in effect allowed them almost complete self-regulation and self-evaluation. Sida does not maintain a registry like USAID does.

Inducements of private giving. Until 2012, Sweden was one of only three countries in the OECD that did not offer tax benefits for charitable giving to donors (Roodman and Standley 2006)⁴¹. There were four failed attempts to introduce such benefits in 1979, 1991, 1993 and 2009. The major argument raised against the propositions has been that these benefits would give advantage to some causes more than to others, and do so in an undemocratic way. (As the discussion on the different effects the U.S. tax inducements have on different charitable organizations made it clear, the deduction for charitable contributions has exactly the effect that Swedish policymakers are trying to avoid). The fear in Sweden is that mainstream causes that already have many resources are going to receive even more attention at the cost of marginal causes (Vamstad). In 2012, the Swedish government introduced a tax deduction for charitable giving. Individual taxpayers can deduct 25% of their gifts to aid organization for gifts between \$300 and \$900. The maximum deduction is then \$230 per year per person. The deduction applies only to organizations that provide aid, and therefore gifts to some nonprofit organizations are excluded. The regulations on gifts to which organizations are eligible and to which are not are yet to be determined, and this has caused some anxiety among Swedish nonprofit organizations. There is no data at this point on how many people will take advantage of the deduction and how the deduction will affect charitable giving.

⁴¹ The other two are Finland and Austria.

However, as mentioned above, there are a variety of tax preferential treatments for organizations recognized as nonprofit and serving the public good. They are exempt from paying income and wealth tax, they can organize lotteries and gambling games, and they are exempt from the Value Added Tax (VAT)⁴² for their fundraising activities. Foundations (e.g., the Nobel Foundation) are held to stricter standards of proving their nonprofit status in order to take advantage of the tax preferential treatment (Lundström and Wijkström 1995).

Until recently there was a compulsory church tax (*kyrkoavgift*) of 1% on personal income, which was taken out automatically and channeled to the Church of Sweden.⁴³ The tax was collected and distributed locally, i.e., the funds stay in the parish in which they were collected (Lundström and Wijkström 1997). Until 2000 the Church was the official state church of Sweden, and it administered the national registration service. Only recently Swedes were allowed to decide what faith this tax goes to, and/or opt out of the tax all together. This new option can be understood as a mandatory version of religious charitable giving in the U.S. and Britain, but in reality most people choose not to pay the tax. (However, everyone still has to pay a burial fee even if they opt out of church membership.)

⁴² VAT in Sweden is currently 25% on most goods and services, 12% on food, hotel and restaurant services, and 6% on books and newspapers, cultural services and transportation. Education (with some exceptions) and health services are VAT-exempt.

⁴³ Until 1996 everyone with at least one parent member of the Church of Sweden had automatic membership to the church, and a formal letter of resignation was required to end membership. However, church attendance is very low in comparison to other European countries. And 45% of elderly Swedes consider themselves non-religious (Wijkstrom 1997). Only 2% of the population regularly attends Sunday services.

Private spending

The general understanding of the non-profit sector in Sweden is that it is very small compared to the third sectors of other OECD countries and that it is highly dependent on government funding. Estelle James and John Boli developed this understanding in major comparative research studies in the late 1970s and 1980s (Boli 1991 & 1992, James 1989). Newer studies question this interpretation and look more closely “inside” the third sector (Lundström 1996, Vamstad and Essen 2012). They find that the received wisdom that Sweden is an outlier in terms of the size and dependency of the third sector is true only for the welfare services subsector (i.e., health care, education, social services) (Lundström and Wijkström 1995, Lundström 1996). International aid and development organizations are a subset of the third sector, and are one of the subsets that do not fit the existing theoretical expectations about the relationship between the state and the third sector. Despite the ability to fund 90% of a development project from official sources, Swedish NGOs have not stopped raising funds from the public. For example, Save the Children Fund Sweden raises over 50% of its revenue from donations, a bigger proportion than some of the big NGOs in the UK (Warren 2005).

Sweden is often cited as contributing to foreign assistance through private channels the least among DAC members. An argument is often made that the Swedes have substituted private charitable giving for government funded aid just like they have done with social policy. In 2011, charitable giving for foreign assistance in Sweden amounted to \$10.58 million, or 0.003% of GNI (OECD). Figure 3.6 shows that low private spending on foreign assistance has not always been the case in Sweden. From 1970-1994, Sweden’s private spending on foreign assistance relative to the size of the

economy hovered between 0.04 and 0.08% of GNI. In those years, private spending in relative terms was higher than private aid spending in both the U.S. and Britain.

Charitable giving in general has been on the upswing since 2008 in Sweden. The Swedish Fundraising Council has tracked an increase in all categories of charitable giving, but especially for international causes. Seven of the top ten and four of the top five recipients of private donations in 2009 were organizations providing international relief and development (See Table 6.1 in Chapter 6)(Swedish Fundraising Council 2010). Research on the number and length of fundraising campaigns held by Radiohjälpen, the public broadcasting organization, shows that international causes have consistently collected more money and have been more popular with Swedes since World War II (Vamstad and Essen 2012). In 2010, 132 campaigns for international causes (i.e., relief, natural disasters, famines and war) collected €285.3 million (\$363.4 million), and 94 domestic campaigns (i.e., medical research and disabilities) collected €1.8 million (\$2.3 million)(Vamstad and Essen 2012). The international causes account for 99% of the total amount collected for charity through these campaigns. This shows that the international development and relief sector is the strongest pull for charitable giving in Sweden. Giving for international causes has steadily increased to be the main category of giving since the 1950s when domestic and international causes were almost equal in popularity (Vamstad and Essen 2012). Just like in the UK, the foreign aid giving sub-sector is not as large as the U.S. one in terms of the amount of money it collects, but international causes are a leading category of giving, which shows a strong commitment and engagement with the cause.

The Swedish Regime of International Giving—Subterranean Politics

The Swedish regime of international giving emerging from this overview is one of strong government support for foreign assistance as demonstrated by the high level of official spending. The private sector of foreign assistance is financially dependent on government funding, but due to the lack of strict regulations it has been able to preserve a surprising level of autonomy. Sida has given NGOs relative freedom in how they spend the official aid channeled through them. The relationship between Sida and the relief and development NGOs can be characterized as one of harmony and lack of obvious conflict. This is in part due to the fact that the NGO community holds consultative positions within Sida, and there is much informal communication between the two sectors. Any conflict over aid policy or funding and regulation is handled through these internal and informal channels before it becomes apparent to the public. This is why I label this regime of giving one of *subterranean* politics. In contrast to the popular understanding of the Swedish nonprofit sectors as weak, the foreign assistance nonprofit sector emerges as one that is able to raise a considerable amount of money despite the lack of any incentives for charitable giving until very recently.

Conclusion

This chapter has offered a systematic comparison of the contemporary regimes of international giving in the United States, Britain and Sweden. Table 3.1 summarized the dimensions along which the regimes vary. In each country, the components of the regime of international giving—public foreign assistance, government intervention in private foreign assistance, and private foreign assistance—produce different politics between the public and private sectors of aid. When we think about the conjunction of the tax policies,

regulatory measures and funding mechanism as a regime of international giving, we can understand the paradoxical finding that U.S. NGOs are for the most part compliant with USAID policies even though they have access to more charitable giving than the NGOs of either of the other two countries. Or the finding that Swedish NGOs are the most financially dependent on government funds, but yet remain autonomous in their work.

The overviews I have provided above focus on the differences between the countries and the continuities within them. This comparison is inherently static and does not illuminate the ways in which the regime of each country has changed over time nor the processes that have led to these changes. Even though I argue that the general nature of the regime has been preserved over time, I do not argue that they have been static and I am not blind to the ways in which they have changed. Rather, every new reform that actors have introduced has fit into an already existing institutional configuration. This static presentation of the regimes of international giving does not answer the question of how these regimes have come about. In the next three chapters, I trace the historical development of the three regimes and provide evidence of the causal mechanisms that have produced them.

Figures

Figure 3.1. Net official development assistance in 2014

Disbursements at current prices and exchange rates; millions of US dollars

Source: OECD (2015), "Detailed aid statistics: Official and private flows", *OECD International Development Statistics* (database). DOI: <http://dx.doi.org/10.1787/data-00072-en>

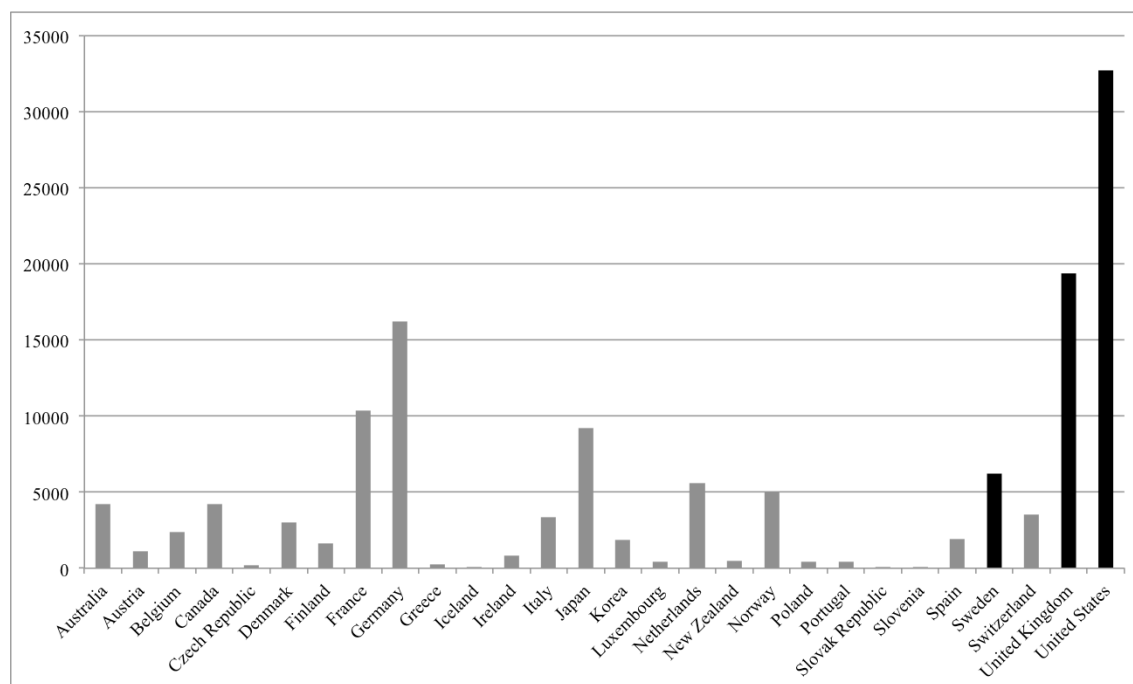


Figure 3.2. Official development assistance as % of GNI in 2014
 Disbursements at current prices and exchange rates; millions of US dollars
Source: Source: OECD (2015), "Detailed aid statistics: Official and private flows",
OECD International Development Statistics (database). DOI:
<http://dx.doi.org/10.1787/data-00072-en>

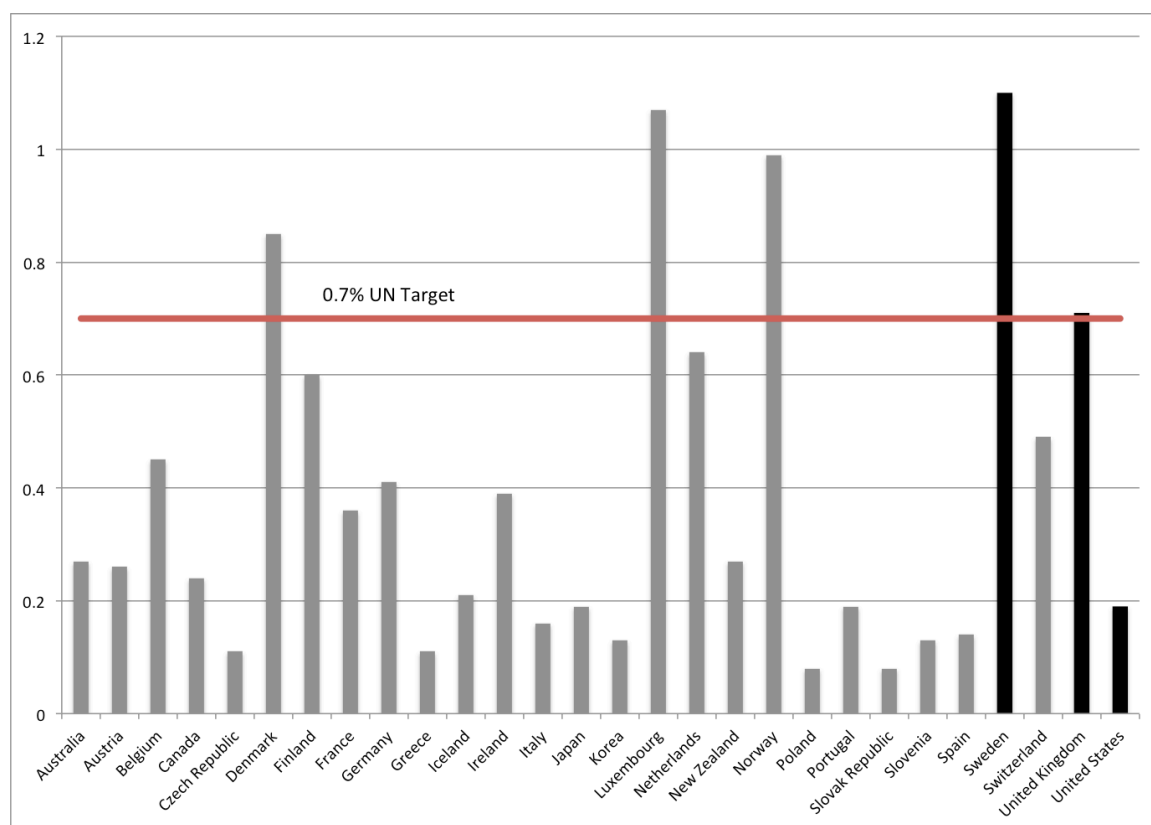


Figure 3.3. Grants by private voluntary agencies as % of GNI in 2010

Disbursements at current prices and exchange rates; millions of US dollars

Australia and Greece data is for 2012; Luxembourg data is for 2011

Source: Source: OECD (2015), "Detailed aid statistics: Official and private flows",
OECD International Development Statistics (database). DOI:

<http://dx.doi.org/10.1787/data-00072-en>

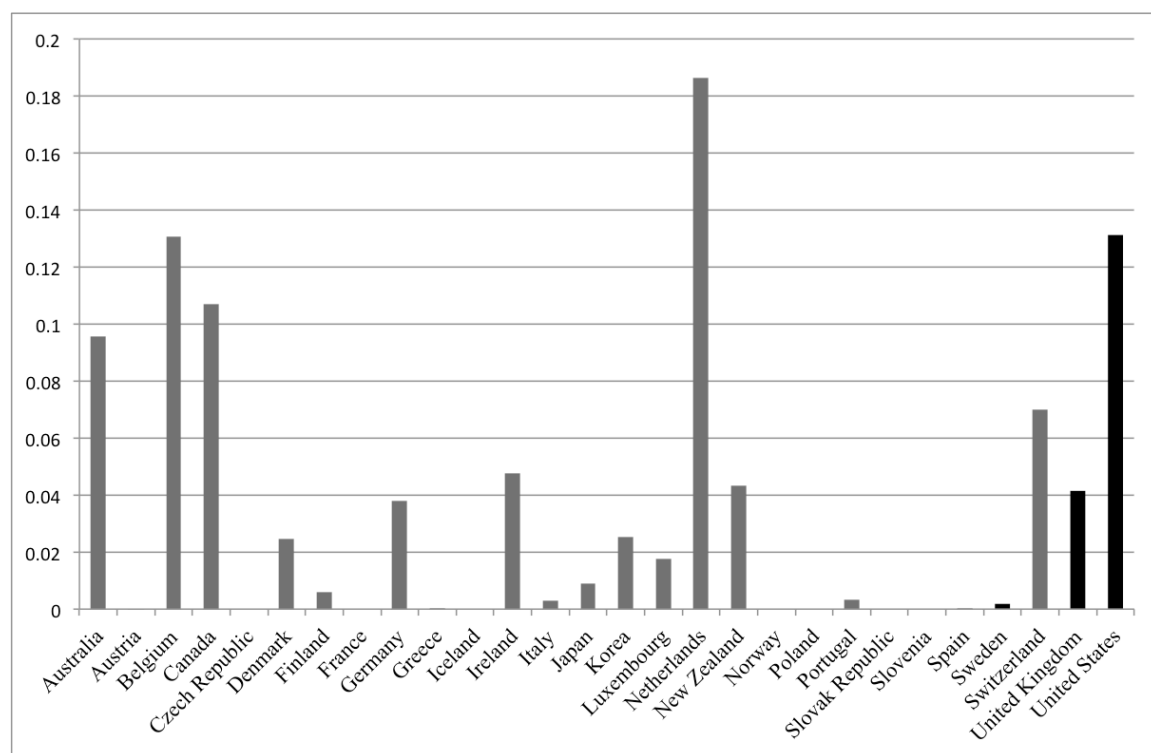


Figure 3.4. Total public and private foreign assistance as % of GNI in 2013

Disbursements at current prices and exchange rates; millions of US dollars

Australia and Greece data is for 2012; Luxembourg data is for 2011

Source: OECD (2015), "Detailed aid statistics: Official and private flows", *OECD International Development Statistics* (database). DOI: <http://dx.doi.org/10.1787/data-00072-en>

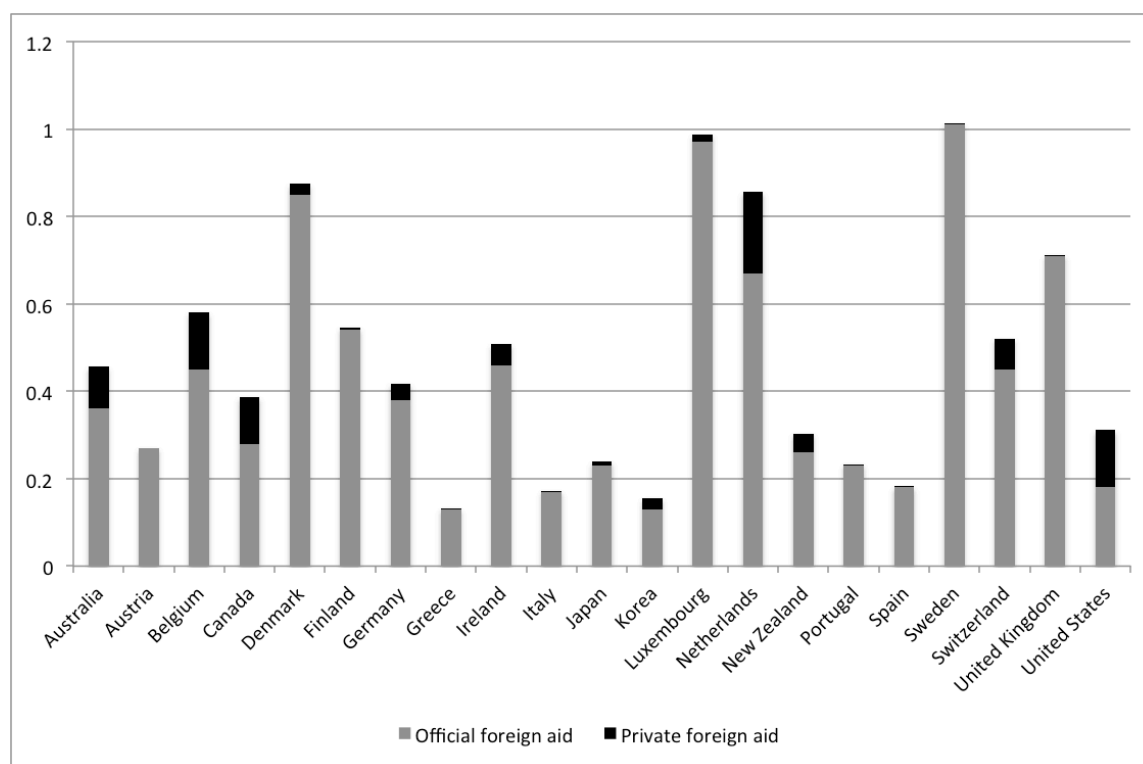


Figure 3.5. Official aid as % of GNI, 1960-2014

Source: OECD (2015), "Detailed aid statistics: Official and private flows", *OECD International Development Statistics* (database). DOI: <http://dx.doi.org/10.1787/data-00072-en>

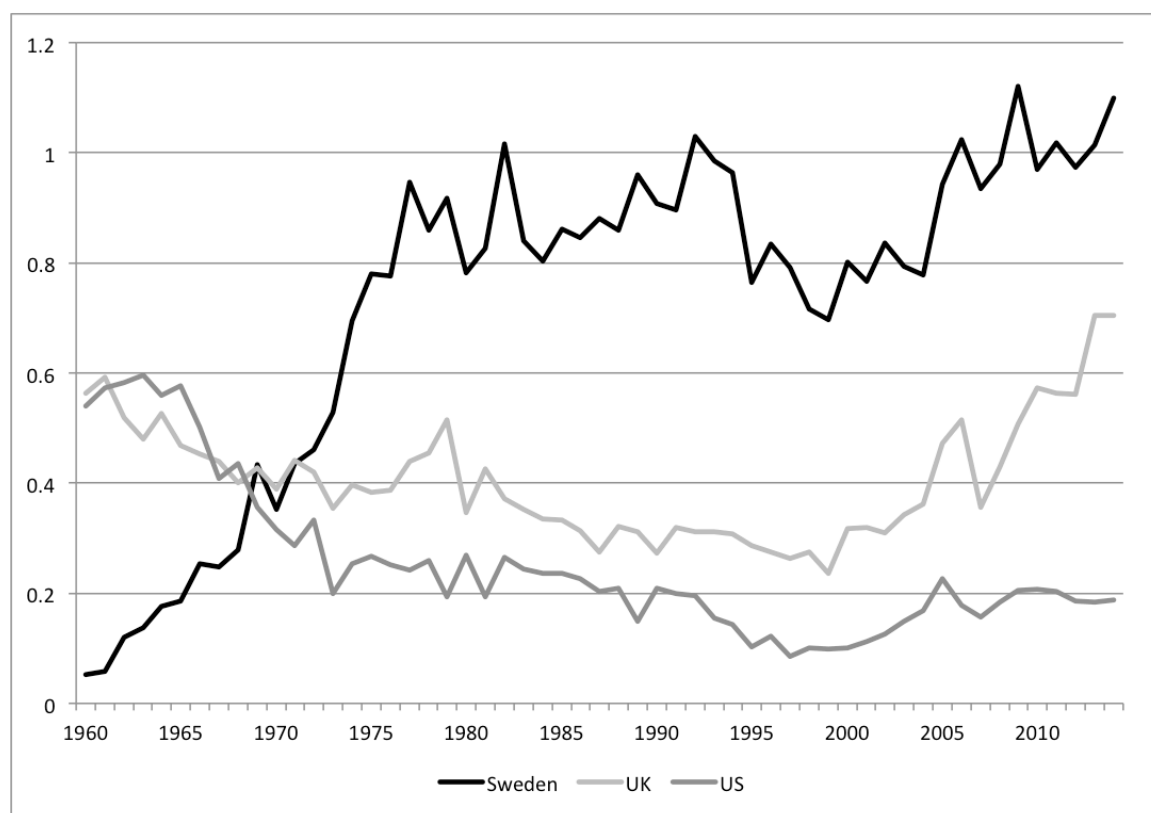


Figure 3.6. Private foreign assistance as % of GNI, 1970-2013

Source: OECD (2015), Grants by private agencies and NGOs (indicator). DOI: 10.1787/a42ccf0e-en; OECD (2015), Gross national income (indicator). DOI: 10.1787/8a36773a-en

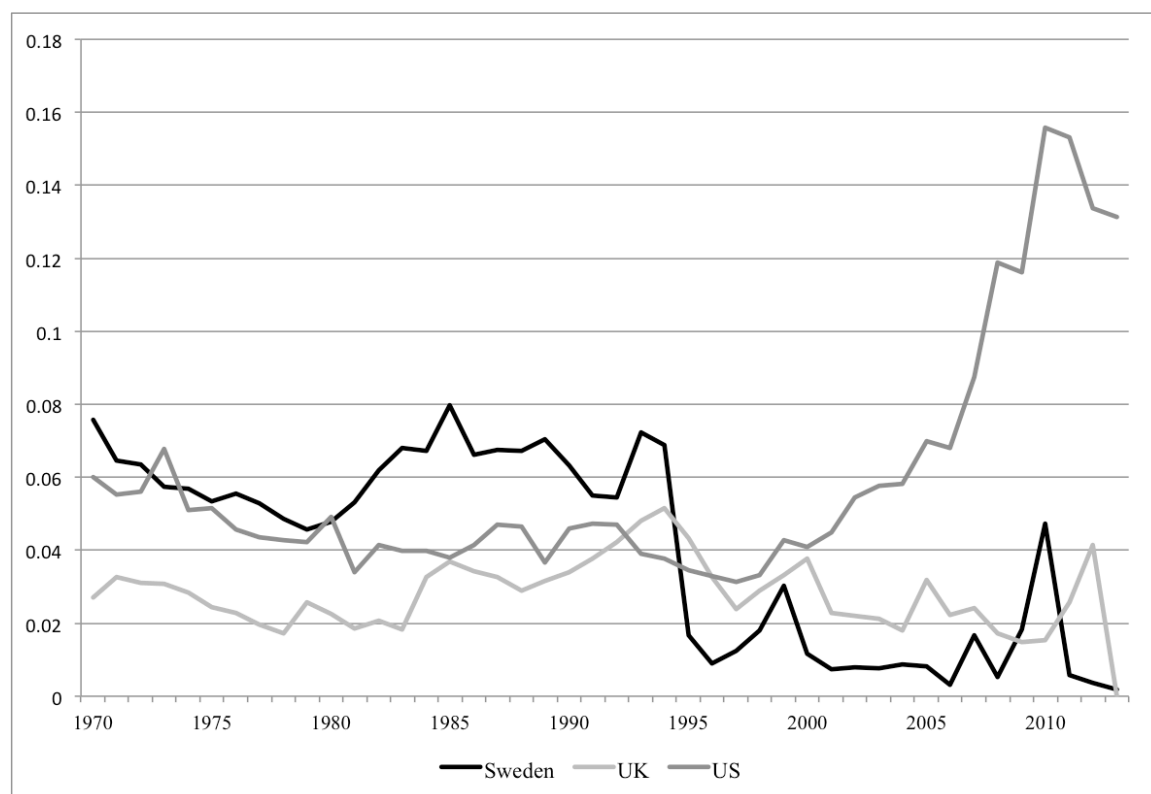


Figure 3.7. UK charitable giving at a glance, 2004/05-2010/11
Source: UK Giving 2004/05, UK Giving 2010, UK Giving 2011

Year	Total amount given		Typical gift		Gifts of £ 100 or more		Gifts of £10 or less		Overseas sector		
	Proportion of people giving	Unadjusted (£ billions)	Adjusted (£ billions)	Median amount per donor (£)	Mean amount per donor (£)	Proportion of donors giving £100 or more per month	Proportion of total amount donated by gifts of £100 or more per month	Proportion of donors giving less than £10 per month	Proportion of total amount donated by gifts of £10 or less per month	Proportion of donors giving to overseas sector	Proportion of total amount given to overseas sector
2004/05	57%	7.8	9.4	10	24	5%	42%	47%	7%	16%	13%
2005/06	58%	9.4	11.2	10	28	6%	47%	46%	7%	20%	NA
2006/07	56%	9.3	10.7	10	29	7%	49%	45%	6%	15%	9%
2007/08	56%	10.6	11.9	10	32	8%	51%	43%	5%	16%	10%
2008/09	54%	9.8	10.3	10	30	7%	49%	42%	5%	16%	NA
2009/10	56%	10.6	11	12	31	8%	47%	38%	NA	24%	16%
2010/11	58%	11		11	31	7%	45%	39%	NA	17%	10%

Chapter 4 – The U.S. Regime of International Giving – Compliance Politics

I begin the empirical analysis with the U.S. case—and thus make it the basis for comparison with Britain and Sweden—for two reasons. One, the United States was the first country to establish post-World War II programs and institutions of foreign assistance, and many countries followed its example in the following years. In many ways the United States created official foreign aid as we know it today. And two, and more important theoretically, in the United States the contrast between the myth of the independence of the private foreign assistance sector and the reality of its dependence on the public sector is the starkest among the three cases. The literature on American Political Development has said much about the strength of voluntary organizations in the United States. From Alexis de Tocqueville's often quoted phrase of awe, "Americans of all ages, all stations in life, and all types of dispositions are forever forming associations," to Robert Putnam's lament on the decline of civic engagement in *Bowling Alone*, scholars have examined the extraordinary level of civic activity in the United States (Putnam 1995, de Tocqueville 2000 [1835], 513). The voluntary relief and development organizations studied here are part of this widely celebrated U.S. civil society. But they are also a special subset – they are turned outwards towards the wellbeing of distant strangers in faraway lands. This position has earned them much applause from commentators of the nonprofit sector. Americans do not only give generously for the wellbeing of their compatriots but extend their generosity towards distant strangers as well. This concern with the suffering of non-citizens abroad has also given them

opportunities to work with the federal government outside the United States. They have had access to funding from foreign assistance agencies and have therefore been under additional oversight and regulation to ensure that their activities do not endanger U.S. security interests. PVOs thus serve two masters. They are subject to policy designed to regulate domestically oriented non-profits (e.g. IRS requirements) and policy designed to regulate their activities abroad (e.g. USAID requirements). As I showed in the previous chapter, currently PVOs receive significant funding from the U.S. government and are subject to extensive oversight and regulation. But their activities have not always been as highly regulated as they are today. I argue that the current state of compliance can be best explained by examining the development of the relationship between the government and the PVO sector since the early 20th century. In this chapter, I trace the actions and decisions that have led to the current regime of international giving.

The U.S. case reveals how important it is to go beyond examining the relationship between official aid and private giving in terms of spending levels, and analyze the legal and regulatory frameworks that structure the relationship between the two sectors. As I showed in the previous chapter, in the United States not only do we see a combination of low official spending and high private spending (see Table 3.1), but we also observe an interesting and important qualitative dimension of the relationship between the institutions administering official foreign aid and the private sector of foreign assistance (NGOs, faith-based organizations, and foundations). Despite the strong rhetoric about Americans' preferences to fund relief and development through private channels rather than through the government, there is a very intimate relationship

between the federal government and the relief and development PVOs. USAID generously funds and tightly regulates the activities of PVOs more extensively than official aid agencies in other donor countries do. 50% of USAID funding is channeled through PVOs. In August 2014, there were 548 U.S. private voluntary organizations (PVOs)⁴⁴ registered with USAID. Many of these organizations rely on official funding, but five big PVOs (CARE, Catholic Relief Services, the IRC, Save the Children, and World Vision) receive 30% of U.S. government funding for PVOs (Stoddard 2002). Despite their ability to fundraise large amounts from private donations—McCleary shows that PVOs who receive government funding attract more private donations—CARE, CRS and Save the Children rely on government funding for around 50% of their annual budgets (Stoddard 2002, McCleary 2009, 8). Official funding, however, does not come without strings attached. As I discussed in more detail in the previous chapter, USAID channels most of the money to PVOs through contractual funding, and it has shifted—more so than other countries’ official aid agencies—towards close oversight of PVO activities. In recent years, there has also been a proliferation of contract-based funding for which non-profit agencies compete alongside for-profit development companies such as Development Alternatives Inc. and Chemonics International Inc. What is surprising is not that USAID has tried to increase its oversight and control—that is to be expected given the U.S. security concerns and interests—but that PVOs have been for the most part compliant with these developments. This compliance is even more astounding in the

⁴⁴ In this chapter I refer to the U.S. relief and development voluntary organizations as PVOs because this is their legal status and because they refer to themselves as PVOs.

context of the traditional celebration of voluntary associations and non-profit work in the United States.

In this chapter, I process-trace the historical development of the U.S. regime of international giving in the post-World War II period. In the first section, I give an overview of the domestic culture of compassion in the late 19th and early 20th centuries in which the first overseas charities began to function. I show that the development of “mass philanthropy” in the inter-war period allowed the federal government to harness and further encourage the momentum of charitable giving that World War I inspired. I examine the efforts that the federal government made to shape the norms about the role of charity and its relationship to state-provision of poor relief and welfare domestically. I describe its first attempts to regulate and co-opt these charities during World War I. Then in the second section, I analyze the creation of the first official foreign aid institutions in the wake of World War II and the first institutional arrangements for the PVOs to work with these new government programs. During and immediately after the war, the federal government entered into relief delivery partnerships with the PVOs while they were still an unorganized collection of disparate organizations—long-standing and spontaneously organized; local and national; religious and secular. It worked actively and purposefully to consolidate the relief organizations into a strong, coherent sector. The rapid PVO growth during and immediately after the war was supported by a wave of charitable giving for relief in Europe, but equally importantly for the ability of the sector to grow was the decision of the government to make surplus food and commodities available to the PVOs. The PVOs were able to feed and clothe more people with the money

Americans donated if they bought cheap food from the U.S. government and shipped it for free to Europe. Very quickly PVO operations became heavily reliant on the access to surplus commodities. Indeed, distributing surplus commodities became the *raison d'être* for some PVOs (e.g. CARE). Therefore it was easy for the government to impose strict regulations in return for subsidized shipping and cheap commodities. The government continued to promote the idea it had initiated during World War I—that its own relief and development activities and the work the PVOs were doing were two sides of the same coin. This notion that government and citizens share the responsibility for providing assistance abroad was key in allowing for the close interweaving of government and PVO programs later in the century. In the third section of the chapter, I show how the institutional arrangements made during the war (i.e. the access to surplus commodities, strict regulation, limited tax incentives for charitable giving) restricted the ability of PVOs to voice opposition to government policy and gave the government avenues for increasing regulation over their activities.

In this chapter, I also discuss the reforms made to the tax incentives for charitable giving during the 20th century. Generous tax incentives are often given as the explanation for why U.S. charitable giving for foreign assistance is the highest among OECD countries. As I showed in the previous chapter, giving for foreign assistance in the U.S. is significantly lower than giving for domestic causes (see Table 3.1), and PVOs do not benefit from the generous tax incentives as much as other non-profit organizations (e.g. universities, museums, medical research)(Rooney 2007). Counter to the accepted wisdom, relief and development PVOs in the U.S. do not benefit from the tax incentives

as much as overseas charities do in other countries. Indeed, the British tax incentives for charitable giving might look less generous than the U.S. ones, but they benefit overseas charities more. Here I show that the standard tax deduction introduced in 1944 made the incentives for charitable giving available only to the rich, and this hurt the PVOs' potential to fundraise. The government restricted the charitable giving incentive at the same time as it made surplus food and commodities and shipping subsidies abundantly available to the PVOs. Thus shifting PVOs calculus even more towards applying for access to government resources at a time of increased regulation.

Domestic culture of compassion in the late 19th and early 20th century U.S.

Domestic charitable giving

In England in 1601, the *Poor Relief Act* (also known as *Elizabethan Poor Law*) established the distinction between the “unemployable” poor (those unable to work) and the “employable” poor (those able to work) and their eligibility for poverty relief. The distinction was incorporated later the same year into the *Statute on Charitable Uses Act of 1601* (also known as the *Statute of Elizabeth I*). The *Charitable Uses Act* proscribed that the “unemployable” (or “deserving”) poor were to be cared for by charities, while the “employable” (or “undeserving”) poor were to be helped by local state institutions to find employment. The statute's preamble contained a non-exhaustive list of appropriate charitable uses. In 1891, in the High Court judgment of the *Pemsel* case⁴⁵ Lord Macnaghten synthesized the charitable uses list into four categories: relief of poverty; advancement of education; advancement of religion; and other purposes beneficial to the

⁴⁵ *Income Tax Special Purposes Commissioners v. Pemsel* [1891] A C 531

community (Thomas and Kendall 1996, Miller 2012). The statute thus created a separation of functions between the work of charities and the state. Charities were to care for the “deserving” poor, and their work was to be proscribed to the four charitable uses categories. I discuss this distinction in more detail and trace the influence it has had on the social norms about charity in Britain since the 17th century in the next chapter. I mention it here because the New England colonies inherited the regulations established in the *Poor Law* and the *Statute of Elizabeth I* through the legal system of the empire.⁴⁶ However, the distinction between “deserving” and “undeserving” poor did not play as significant role in the development of charity in the colonies as it did in England (Gross 2003, 34). Since poverty was not as serious problem in the colonies as it was in the urban centers in Britain, towns and churches in New England did not require that the poor prove their need or eligibility for relief, and they encouraged towns and villages to take care of each other’s neighbors who had fallen onto bad luck (Gross 2003, 34). During the 18th century in New England, eligibility for poor relief was determined by whether the person belonged to the community or did not; most charity thus stayed within the bounds of the towns in which it originated (Gross 2003, 34). Neighbors helped each other care for their children, the sick and the old through networks of neighborly interdependence (Porterfield 2003). Townships collected money for the sick members of the community. But if a person did not belong to the town or village, they were “warned out” and told that the town was not responsible to provide for them (Gross 2003, 35). The key

⁴⁶ Of course the cultures of compassion of other colonial powers influenced the norms of charity in America. However, the British Puritans and their strong disapproval of poverty were the most influential (Porterfield 2003, 49, 54; Cohen 2003).

distinction that regulated eligibility for poor relief was one of *belonging*. Not belonging to the community meant that neither charities nor the local state administration were responsible to provide help.⁴⁷ While in Britain, the separation of purposes proscribed the type of work charities could do, in the New England colonies public and private funds together helped the needy who belonged to the community. The purpose of private and public assistance was the same—help those who belonged.

Even though the distinction between “deserving” and “undeserving” poor and the limitations on charitable work did not play a major role in the everyday practice of charity in New England, the charitable uses categories set out in the *Pemsel* case continued to be used by courts in the U.S. even after Independence. U.S. states abolished the British laws they had inherited, but many courts continued to use the charitable uses categories set out in the *Statute of Elizabeth I* because they had proven useful in deciding the ever increasing cases in which heirs disputed the wishes of their fathers to leave their fortunes to charity (Zunz 2012, 12). With the accumulation of wealth after Independence, philanthropic giving also increased. And just like in Britain (and everywhere else in Europe), the need for poor relief grew with the acceleration of urbanization. Philanthropists and churches began thinking not just about relieving poverty but also about eradicating it, and ideas about poverty as a moral vice became more prominent. In this era of unprecedented accumulation of wealth and the explosion of charitable foundations courts faced an increasing number of cases in which heirs challenged their

⁴⁷ Some economics models of giving distinguish between altruistic charitable giving and reciprocal charitable giving (Clotfelter 1985, 38). Charity in New England as described here is closer to reciprocal giving because town residents expected to be cared for in return when they needed help.

fathers' wishes to leave their fortunes to charity. The law protected the heirs' rights, and only bequests that specified very strictly how the money was to be spent were immune to these challenges (Zunz 2012). As more and more industrialists began bequeathing their wealth to charity and the amounts they donated grew larger, they wanted to be able to leave their fortunes without having to specify a single use for the money and allow future needs and problems to determine the use of the bequeathed funds (Zunz 2012, 12-13). Gradually state courts and legislatures moved away from the charitable uses categories set by British law and allowed for the trustees of charitable organizations to decide how they would spend the money (Zunz 2012).

It was not until 1819, however, that the limitations on charitable uses were abolished entirely. In the *Trustees of Dartmouth College v. Woodward* case of 1819, the Supreme Court eliminated the use of the *Pemsel* charitable uses categories and established the power of trustees to decide on how bequeathed funds were to be spent. In the case the Dartmouth College trustees challenged the New Hampshire legislature's attempt to re-instate the president the trustees had recently deposed. The Court decided in favor of the trustees and established the distinction between public and private institutions. It declared that private institutions were to be free of government control and required them to hold formal corporate charters to protect their rights as private institutions (McGarvie 2003). This distinction between the public and private realms protected the rights of private voluntary organizations by limiting government control over them without proscribing their functions like the *Charitable Uses Act* did in Britain. (The four charitable uses categories were not abolished in Britain until 2006 (Miller

2012).) The *Dartmouth College* case institutionalized the principle that the trustees of charitable organizations could decide on how to spend the money bequeathed to them without having to prove that they were following the initial wishes of the donor. What charity was and could be was freed from the original wishes of donors and predetermined government definitions. The meaning of charity became fairly open-ended.

The next crucial development for the domestic culture of compassion in the U.S. was the building of a large and elaborate infrastructure for charitable giving. At the turn of the 20th century, “mass philanthropy” emerged in the United States (Zunz 2012). Americans began giving to charity in large numbers, and regularly. Olivier Zunz argues that the practice of mass giving was not a natural outpouring of compassion, but rather was created through marketing campaigns and the attempts of charity leaders to “democratize” philanthropy. In the late 19th century many Americans participated in church and occupation-based charity funds, but these donations had the function of insurance and/or payment for services (e.g. funeral services) rather than charitable giving (Zunz 2012, 45). In that sense, giving to charity did not have the philanthropic aspect that we associate with it today, and it was closer to the model of charity based on belonging to a closed group rather than on altruistic concerns for others. Zunz argues that three new ideas led to the transformation of charitable giving into “mass philanthropy”: the American “thrift” movement; the emergence of mass fundraising; and the introduction of community chests. The first development was the notion advocated by social workers at the turn of the 20th century that saving money was a better safety net option for the working class than giving to charities. The idea of being “thrifty” and saving money

developed into a movement and contributed to the emergence of a number of saving mechanisms such as postal savings banks and thrift stamps.

At the same time, in big cities reformers armed with new medical knowledge about tuberculosis and other contagious diseases initiated public health educational campaigns. These new public health initiatives did not win support from rich donors who tended to support colleges, museums and large hospitals, and the campaigns were slow to take off. By pure chance in 1904, the Danish-born social worker Jacob Riis received a Christmas letter bearing a special seal through which the Danish government was raising money for a new children's tuberculosis hospital (Zunz 2012, 47). Riis had lost six brothers to tuberculosis in the United States, and was familiar with the need for funding for the educational campaigns. He proposed this new seal fundraising method as the solution to the funding problems. The idea was picked up by the Red Cross and the National Association for the Study and Prevention of Tuberculosis, and gradually many charities began competing for the small amounts of money that the "thrift" movement had encouraged Americans to save (Zunz 2012). This was the birth of mass fundraising campaigns for charity in the United States, and these developments expanded the boundaries of the community for which charity was collected. Charity was no longer bound to the town or village in which it originated, nor was it a form of insurance anymore. It became the altruistic form of giving we know today.

The third development important for the expansion of mass philanthropy was the federation of community chests and the introduction of community foundations (Zunz 2012). The first idea—federating the community chests—grew organically from the

successful experience of collecting small sums of money to solve big problems.

National campaigns (such as the tuberculosis one) began coordinating activities between local community chests to maximize their fundraising efforts. The second idea—the community foundation—was born from the impulse to “democratize” philanthropy and to make it not just the purview of the rich, but also of those of modest means (Zunz 2012).

Armed with the knowledge and evidence that it was possible to have successful mass fundraising campaigns, social work leaders refused to leave the responsibility for solving local problems in the hands of a few big foundations supported by rich philanthropists.

The community foundations set out to work on social problems just like the large philanthropic foundations (e.g. Carnegie, Ford) did. However, their proponents argued that the community foundations—funded through community drives—could do so more flexibly because they were free from the intent of a single donor and could address a variety of problems as they arose in the community (Zunz 2012). The effect of these three developments—the thrift movement, mass fundraising, and community foundations—was the creation of an elaborate network of organizations, people and causes that could collect charitable donations from a broad number of people and outside of the confines of previous community-based giving. The result was a charity infrastructure available to support any cause.

Overseas charitable giving

Alongside these developments in giving for domestic causes in the late 19th and early 20th centuries, giving for causes abroad also increased. Americans were concerned with the wellbeing of their compatriots in the “old countries.” The tradition of collecting money and in-kind gifts for foreign emergencies goes back to at least the mid-19th

century. Americans responded generously to a number of appeals for famines and emergencies in distant lands. Help for the Greek fight for independence from the Ottoman Empire in 1821 was the first major public appeal for relief abroad (Curti 1963, 22). The Irish Famine of 1845 was the next big overseas emergency that mobilized American giving, and it was the first campaign with national prominence. It was typical for ethnicity-based or religious groups and charities to organize the calls for help—harking back to the notion of belonging. For example, the Central Relief Committee of the Society of Friends in Dublin and the Catholic Church administered the collection of funds in the Irish appeals (Curti 1963). By 1847 an estimated \$1,000,000 was sent to Ireland by these and other smaller organizations (Curti 1963, 60). Even though the two emergencies in Greece and Ireland differed in nature—one was a struggle for independence and the other a famine caused by agricultural blight and land tenancy laws—the U.S. government did not extend any substantial help to either country, and the relief effort was left to private charity (Curti 1963, 50, Rosenberg 2003, 249). Americans collected aid for one last foreign emergency before the turn of the century: during the 1891-2 famine in Russia they sent massive amounts of grain to feed the hungry (Rosenberg 2003, 248). The fairly young then American Red Cross organized the efforts of farmers from Iowa to ship corn to Russia (Irwin 2013, 26).

In addition to donations for emergency relief, the late 19th and early 20th centuries also marked the advent of American giving for the betterment of lives of people abroad through missionaries and philanthropic foundations. Some of the well-known examples of the work of American missionaries are the establishment of schools,

hospitals and orphanages in Europe and the Ottoman Empire (e.g. Robert College in Istanbul founded in 1863; the American College in Bulgaria founded in 1860). In the late 19th century and first two decades of the 20th century, American Protestant missionaries turned their attention to China. By the end of the 1920s, the China International Famine Relief Commission (CIFRC) had taken on a variety of projects from food relief during the North China Famine to building roads, schools and starting a rural cooperative credit movement (Ekbladh 2010, 26-29). In 1900, YMCA's John R. Mott called on young Americans to "evangelize the world in this generation," and by 1920 the YMCA had established charters in all corners of the world (Rosenberg 2003, 241). While the YMCA and other missionary organizations began their work with the explicit goal to proselytize, most of them gradually transitioned to more secular goals of social reform (Rosenberg 2003, 243, 256).

The early 20th century also witnessed the creation of the first big philanthropic foundations in the United States. Some of the currently largest foundations were established in the second decade of the century: the Rockefeller Foundation in 1913, the Carnegie Endowment for International Peace in 1910, and the Russell Sage Foundation in 1907 (Ekbladh 2010, 23). At the beginning, these foundations focused on funding the creation of knowledge and scientific progress domestically, but they gradually expanded their scope of activities to international relief and development (Dowie 2001). The Carnegie Endowment focused its efforts on the promotion of peace through science and knowledge (Rosenberg 2003, 252). More importantly, their founders served as advisers to multiple U.S. administrations on how to organize and execute international relief and

development programs (Hess 2003, 323). These foundations are still major donors and influence the direction of the programs that PVOs and faith-based organizations conduct. But as I explained in chapter 3, they do not account for the majority of the funds donated in the United States, and historical records indicate that they never really did (McCarthy 2003, Zunz 2012). Their close relationship with the federal government is not unique. Rather, it fits with the broader norm of seeing public and private aid as serving the same function.

World War I—First attempts at co-opting private charitable giving

Charitable giving for causes abroad reached a new larger scale during and after World War I when Americans witnessed the tremendous need for relief in Europe. Many of the donations continued to be designated for the “old countries,” and even if they were not sent directly to relatives, they were earmarked for these territories. This was evident in the names of the societies established to collect and deliver the donations: French Relief Fund, Queen Wilhelmina Fund (for The Netherlands), Russian Relief Fund, etc. (Curti 1963). Two other well-known voluntary relief agencies created at the time were the American Friends Service Committee (1917) and the Near East Foundation (1915; formerly the American Committee for Armenian and Assyrian Relief). Most of the organizations created to provide emergency relief eventually turned to development work as well; but there were also voluntary organizations created explicitly as development organizations (e.g. the Iran Foundation) (American Council of Voluntary Agencies for Foreign Service Inc. 1953). Between 1919 and 1939, Americans donated close to \$1.3 billion for relief abroad (Rosenberg 2003, 249).

During World War I, the federal government made its first attempts to co-opt private charitable giving for foreign assistance. It harnessed the extensive infrastructure already developed for collecting charitable giving for domestic causes to raise funds for war relief. It laid the foundation for the close relationship with the private sector of giving that would later develop in the tightly regulated and overly compliant relationship I described in the previous chapter. The government recognized the potential of the already developed private channels for domestic giving, and co-opted them into fundraising for war relief. And because after 1819 there were no limitations on what activities PVOs could or could not participate in, PVOs were asked to collect donations and provide relief to suffering Europeans, prisoners of war, American troops abroad, and civilians at home. The government initiated two practices that would allow it to gradually co-opt the sector of private charitable giving: it began to sponsor PVOs by selectively giving access to resources to a few organizations, and it promoted the idea that the government and PVOs were working towards the same goals. It sponsored the American Red Cross and the United War Work Campaign, which helped these organizations have the funds and communication channels to reach almost all Americans. At the same time it began to exert control over the charitable sector by granting a number of private organizations quasi-official status. The results of these attempts at co-optation were not inevitable. In addition to the desire of the government to harness the work of charitable organizations for its own ends, the decisions of PVO leaders to seek a closer relationship with the government was also needed. Indeed, in many cases—such as the American Red Cross

described below—PVOs themselves sought access to government resources and were willing to serve its purposes.

Clara Barton founded the American Red Cross (ARC) in 1881 in the aftermath of the Civil War, but the organization did not grow significantly in membership until World War I when it entered into a close partnership with the U.S. federal government (Skocpol, Munson et al. 2002). The influx in members was driven by the need for relief World War I produced, but equally important for ARC's ability to serve as a magnet for the outpouring compassion was the official approval it had received from the U.S. government in 1905. Even though in 1882 the government recognized ARC as its official relief agency at times of war, initially the organization did not receive any special treatment based on this status and was treated as any other U.S. charity (Irwin 2013, 22). Barton worked intentionally for many years to change that. She sought to build a closer relationship with the federal government and to achieve official recognition for ARC during her years as president. In the 1880s, she positioned ARC as the most prominent organization of civilian relief in natural disasters during peacetime. During a number of famines, floods and earthquakes in the U.S., she proved that ARC had "unique utility to the state" (Irwin 2013, 25). Finally in 1898, she achieved the status of official agent of the U.S. government to organize and distribute the relief donated by American citizens during the Cuban war of independence (Irwin 2013, 26). And in 1900, Congress granted ARC a charter that made it a semi-official agency (McCleary 2009). The charter gave ARC all the official recognition Barton had sought—providing relief during wartime per the Geneva Convention and domestic and international relief during peacetime—and also

introduced the first measures of government oversight (Irwin 2013, 27). In exchange for this special status, ARC agreed to submit annual financial and procedural reports. This desire for a close relationship with the government was not idiosyncratic to Clara Barton's leadership of the organization. Her successor Mabel Boardman sought to bring ARC even closer to the federal government. In 1905, Boardman and the new ARC leadership re-drafted the Congressional charter which allowed for more government oversight. The new charter put a new Central Committee in charge of ARC and gave the U.S. president the right to appoint six of its 18 members, including the committee chair (Irwin 2013). The presidential appointees were members of the Departments of State, War, Navy, Treasury, and Justice. The new charter also required ARC to submit an annual report to the War Department (Irwin 2013, 30-31).

During World War I, the relationship between ARC and the federal government strengthened and deepened, and ARC became the "international relief arm of the U.S. government" (Rosenberg 2003, 250). With the seal of approval from the government, it collected \$400 million in cash and in-kind donations from the American people for the relief of American and Allied troops and civilians in Europe (Irwin 2013, 5).

The Red Cross continued to benefit from its special relationship with the government even after the war. In 1923, President Calvin Coolidge appealed to the American people to donate \$10 million for the relief operations after the Japanese earthquakes and encouraged them to donate the money to the Red Cross (Rosenberg 2003, 250). ARC was not the only quasi-official relief organization. Similarly Herbert Hoover's Commission for Relief in Belgium benefited from its quasi-official status. It

collected and directed food relief to Belgium and France after 1919. Hoover continued his relief work in Europe as head of the newly formed official American Relief Administration, which he later transformed into a private charitable organization (Rosenberg 2003, 249). As the war continued and through strong government encouragement, giving to charity gradually became to be seen as patriotic duty (Zunz 2012). In some sense charity was not entirely voluntary but rather something that had to be done. Zunz argues that it was during World War I that philanthropic giving was transformed into a routine practice of American life (Zunz 2012). Once mass philanthropy was established, it was gradually professionalized through the establishment of schools, publications, and professional associations.

Tax policy for charitable giving – The Charitable Contribution Deduction (1917)

Tax policy reforms also contributed to the ability of PVOs to collect large amounts of donations during World War I. Nonprofit organizations (e.g. churches, charities, universities) had traditionally been exempt from paying taxes on their income following the old British statutes. During the 18th and 19th centuries most Americans did not pay federal income taxes, and only the very rich paid state income taxes. Until 1913 the U.S. federal government relied on import tariffs and sales taxes on tobacco and alcohol as the primary sources of revenue and did not collect a federal income tax. In 1913, the 16th Amendment made federal income tax a permanent tax instrument, and the U.S. shifted from import tariffs and sales taxes to income taxes as the primary source of revenue (Clotfelter 1985). In 1917, in an effort to raise revenue for the World War I effort, Congress passed the War Revenue Act of 1917. The act increased income tax rates

and expanded the tax base. Even with the increased tax base however, income taxes applied only to the wealthy—those with incomes higher than \$68,680 in 2001 dollars (Aprill 2001, 849). More importantly, the act introduced the deduction for charitable donations to ameliorate the concerns that the higher tax rates would lower charitable giving by the wealthy (Aprill 2001). Taxpayers could deduct from their taxes the gifts they made to “corporations or associations organized and operated exclusively for religious, charitable, scientific, or educational purposes, or to societies for the prevention of cruelty to children or animals” (WAR REVENUE ACT OF 1917). The Act listed a variety of charitable causes, but private colleges and universities were intended to be the primary beneficiaries of the deduction. Senator Henry F. Hollis (D–N.H.) defended the deduction with the argument that these educational institutions were doubly hurt by the war efforts—they lost enrollees because young men were sent to fight, and they lost income because the wealthy individuals on whose generosity the universities relied were hit hard by the increased taxes (Aprill 2001, 849). Hollis argued that the rich donate to charity out of their financial “surplus” once they have already met all their consumption needs (Aprill 2001). Nonprofit organizations were quick to take advantage of the new charitable deduction and began citing it in their fundraising campaigns; Cornell University mentioned the deduction in their 1919 endowment campaign (Clotfelter 1985, 31). Even though the deduction was designed to benefit the very wealthy, it was available to all taxpayers as the standard tax deduction did not yet exist (Randolph 1999, 63). Everyone who paid taxes and donated to charity could take advantage of the deduction,

and therefore theoretically all types of charities benefited from the deduction in its initial design.

Emergence of the contemporary U.S. regime of international giving
American charitable giving during World War II & government regulation of the charitable sector

On the eve of World War II, Americans had already witnessed the development of mass philanthropy, had built the infrastructure necessary for mass giving, and giving to charity had become routine (Rosenberg 2003, 249, Zunz 2012). The federal government had worked closely with PVOs during World War I; and indeed had given some organizations quasi-official status. More importantly, it had introduced the idea that private aid was supplemental to official aid. During World War II, the PVO sector experienced another explosion in volume of donated funds and number of newly created voluntary agencies collecting and administering the funds. The efforts of charities and churches to collect relief for suffering Europeans were similar to their efforts during World War I, but they were able to achieve massive mobilization of giving like never before. In part this was due to the fact that mass philanthropy had already taken hold in American society, and the institutions for mass fundraising had already been established. And in part it was due to the wartime government regulatory efforts forcing charities to federate their fundraising appeals and consolidate their relief efforts. There were 424 private relief organizations registered at the end of 1941, and their total revenue was \$573 million; in 1945 there were only 98 registered PVOs and their revenue rose to \$2.8 billion (McCleary 2009, 40, 48). During the war and its immediate aftermath, as new organizations were constantly being created to capture the outpouring of donations, the

federal government was working to consolidate them into larger and more efficient organizations. Because of these consolidation efforts and the encouragement of charitable donations, private giving to PVOs remained strong through the war and the first few years after its end. Private contributions to aid agencies of course dropped from their all time high immediately after World War II, but then rose again during the Korean War (McCleary 2009). During this crucial time of expansion of charitable giving and the PVO sector the federal government continued to promote the idea that private aid was supplemental to official aid, increased its regulation of PVOs, and for the first time gave PVOs access to surplus commodities and subsidized shipping. The result of these actions was a consolidated, efficient PVO sector that was also heavily dependent on government provided goods and transport.

Initially the assistance collections were organized around national ties just like they had been during World War I; national groups collected and administered aid for their fellow compatriots in the “old country.” In the years prior to the U.S. entrance in the war, 81% of the contributions collected by the PVOs were allocated for particular ethnic groups in Europe (Ringland 1954). From 1939 to 1941 (the years of U.S. neutrality) PVOs collected USD 61.9 million in funds and in-kind gifts from private sources (U.S. Congress 1939).

While the relief efforts were largely run by the PVOs, just like during World War I the federal government joined in the encouragement of relief collection and heavily funded the relief effort campaign. For example, religious PVOs organized the national clothing drives in 1944, 1945 and 1946, but President Roosevelt appointed a national

chair for the campaigns and lent his official support (McCleary 2009, 68). PVOs did not receive any direct grants from the government during and immediately after the war. However, they benefitted tremendously from government-sponsored publicity about the coordinated donations appeals. This is evident in the small amounts that PVOs spent on publicity. In 1947, Church World Service spent only 1% of its income on publicity (McCleary 2009, 63). Of course the government-funded publicity for the relief efforts did not come without strings attached. Many government officials and publications defined the work done by PVOs as a counterpart and “supplement” to official aid (McCleary 2009, 37). The message the government pushed very hard in these publicity materials was that voluntary aid worked best in tandem with official aid. The two were often described as complementary to each other. Private aid was recognized as an important “adjunct to public relief programs” (U.S. Congress 1948). The government promoted a division of labor between itself and the PVOs. The government programs delivered mainly primary foods to Europe (i.e., grains), while the PVOs ran programs providing products seen as supplementary (i.e., dairy products, fats, medicines and clothing) (Ringland 1954). PVOs were also seen as more capable of reaching “special populations” such as mothers, children and people with disabilities to whom big government programs could not pay special attention.

Another notion about the relationship between official and private assistance the government promoted was that the aid channeled through the PVOs reflected the care, generosity, and diversity of the American people. Secretary of State John Foster Dulles said in 1954 that the essential characteristics of private giving are voluntary, personal and

“people-to-people” (Ringland 1954). Truman, Hoover and Eisenhower called the CARE packages “a person-to-person expression of international goodwill” (The Advertising Council 1949). Arthur C. Ringland (Consultant to the President’s War Relief Control Board and Executive Director of the Advisory Committee on Voluntary Aid) said that private giving “reflected the instinctive generosity and compassion of the American people” (Ringland 1954). In a recommendation for the subsidy of ocean freight of goods provided by PVOs, a subcommittee of the House Committee on Foreign Affairs stated that private aid demonstrated the ethnic, religious and class diversity of the American population, and expressed that diversity in the variety of ethnic, religious and labor PVOs at work in Europe at the time (U.S. Congress 1948). The report also ventured to say that the recipient of voluntary aid “knows that the assistance he receives is based upon the personal response of some individual American to his needs.” Thus, charitable contributions for relief in Europe were framed as an apolitical, pure expression of American compassion just as it was put to work for foreign policy goals.

Government regulation of the PVOs. As it was encouraging the mobilization of private giving for relief in Europe, the federal government sought to regulate this effort. The regulatory arrangements set in place at this time fundamentally shaped how the private aid sector worked and its relationship with the government.

At the beginning of World War II and until the Neutrality Act of November 4, 1939, the collection and distribution of relief was regulated by the same rules that regulated peacetime philanthropic activity. The Neutrality Act prohibited economic activity in belligerent countries, and allowed the provision of relief only under strict

regulation (U.S. Congress 1939). If charities wanted to provide relief to these countries, they needed to register with the Department of State and provide monthly reports of their activities in those countries. These regulations ensured that the activities of charities were not working against U.S. security interests (War Relief Control Board March 1946). An academic observer at the time noted that this was the first instance in which the U.S. government expressed desire to “exercise direct influence in the area of foreign relief” (McMillen 1943). As PVO relief activities grew and U.S. involvement in the war deepened, the U.S. government tightened PVO regulation. Surprisingly, the main issue of concern for the government became less the protection of U.S. strategic interests, and more the competition for donations between agencies in the U.S. As the war progressed and relief effort mobilization grew, the government ratcheted up the rhetoric of efficiency of fundraising and relief delivery and protecting the American public from undue exploitation of their giving spirit.

When the U.S. entered the war in 1941, the federal government declared further need to regulate PVO activities. In March 1941, Secretary of State Hull proposed to President Roosevelt that in order to eliminate potential conflicts between relief collecting charities and the potential waste of duplicating efforts the President should establish a committee to study possible ways to coordinate the activities of the charities and government agencies (War Relief Control Board March 1946). The problems he listed as most pressing were the competition between relief appeals made to the American people, the collection of money and in-kind donations for relief operations that were not needed, and the lack of shipping space for the goods sent to Europe. FDR appointed Joseph E.

Davies as the chairman of a committee to investigate the concerns Hull raised and to make recommendations. The other two committee members were Frederick P. Keppel (President of the Carnegie Corporation) and Charles P. Taft. The Davies Committee conducted a questionnaire among 600 PVOs, consulted with a number of departments of state, and examined the work of the similar Canadian National Department of War Services.

On July 25, 1942, under the recommendation of the Committee, FDR transformed the Committee on War Relief Agencies into a President's War Relief Control Board with Executive Order 9205. The Board was to serve until six months after the termination of the war. Per Secretary Hull's recommendation, the Board was given expanded powers to regulate the activities of charity organizations that provided relief to people suffering due to the war in the U.S. and to U.S. armed forces (McMillen 1943). The American Red Cross and other religious organizations were exempt from the control of the Board. ARC was exempt because its 1900 and 1905 Congressional charters had made it a quasi-official agency (McCleary 2009, 47, Irwin 2013, 27). However, ARC was not free from government control; officials from the Departments of State, War, Navy, Treasury and Justice were already serving on its governing board (Irwin 2013, 30-31).

The War Relief Control Board was given substantial powers. It required that all relief agencies register with it, provide monthly reports of their activities, and coordinate with it the timing of fundraising appeals they issued to the public. These powers were in line with the need to make sure that the PVOs were not endangering U.S. security interests. In addition, however, the Board could also force PVOs to consolidate into

bigger organizations as to streamline their activities and achieve administrative efficiency. For example, United China Relief was created by merging eight agencies providing relief in China (Rosenberg 2003, 250). The Board also had the powers to eliminate relief agencies if it determined that existing agencies were already providing the services the new agency proposed. The Board required that all relief agencies include the word “American” in their names as to demonstrate their American identity (Rosenberg 2003).

In 1943, the Board created the National War Fund to alleviate the problem of competition between funding appeals. It required all local community chests to participate in one common appeal held in the fall, and it distributed the collected funds centrally. In effect, it created one national community chest out of the previously existing local community chests. Similarly, the Board mandated the major Jewish charities to consolidate their appeals into the United Jewish Appeal, and all charities to join in one United National Clothing Collection (Ringland 1954). A great portion of the funds donated between 1942 and 1945 were given to these three consolidated organizations (National War Fund, United Jewish Appeal, United National Clothing Collection). Again due to its special charter, the American Red Cross appeal was excluded from this consolidation and it held its appeal in the spring. This protected the Red Cross appeals from competition.

The War Relief Control Board was a channel through which the government regulated not only the activities of the charities, but also the way through which the American people participated in the relief effort by limiting the choice of organizations to

which they could donate and the timing of donations. It limited the number of appeals, determining which causes were useful to the relief effort and which ones were not, and by forcing relief organizations to merge their activities or close operations all together. These regulatory measures were taken in part out of security considerations (the fear that under the guise as relief organizations, these agencies could be providing aid to belligerent parties in Europe was indeed very real), but the desire to regulate PVOs for the sake of “efficiency and economy” was not necessarily motivated by security concerns. Security interests could have been ensured with a weak PVO sector. Indeed, security concerns might have been best addressed by denying PVOs access to Europe and forcing them to become solely fundraising agencies. The focus on efficiency reflected the desire to put the PVOs to work as a supplement to official aid and development programs. In contrast, in Britain the overseas charities were considered to be doing work fundamentally different from what the government was doing—charity vs. political ends—and they were left to their own devices for a long time.

The War Relief Control Board continued to coordinate and regulate the activities of the relief organizations until 6 months after the end of the war. It played an extensive regulatory role, and it significantly shaped the fundraising strategies of the PVOs, the ways in which they provided relief, and the channels through which the American people directed their giving for international relief. In its final report to the President in 1946, the Board reported that through consolidation and elimination it had lowered the number of voluntary agencies providing relief abroad from 700 to 300. The overhead cost of these agencies was lowered from 5.1% in 1939 to 3.2% in 1945 (War Relief Control Board

March 1946). This particular goal to lower the administrative costs of the voluntary agencies affected the smaller organizations the most (i.e., ones reporting small total yearly contributions). The efforts to consolidate in the name of efficiency gradually reduced the number of PVOs from the initial boom of organizations during the war years. Between 1941 and 1943, 89⁴⁸ private organizations ceased to exist due to mergers (McCleary 2009). The organizations that survived were strong, lean and efficient.

The Board—created originally as a war emergency measure to guard U.S. security interests—profoundly changed the way in which the charitable sector functioned and had the unexpected consequence of strengthening the sector and increasing government oversight. This push by the War Relief Control Board for consolidation and coordination among the charities produced a very strong, consolidated and coordinated PVO sector that was able to fundraise effectively and show its constituents that it was efficient and did not waste their donations. The Board also transformed itself into a permanent organization that continued to use the practices of heavy regulation in exchange for access to resources. Its successor agencies continued and perfected this practice in the second half of the century.

The CARE packages program was probably the most well-known and ambitious World War II relief campaign. The campaign was so successful that in many places around the world CARE is synonymous with American generosity. The circumstances surrounding its creation demonstrate the effects that the increased regulation, coupled with access to surplus commodities and publicity support had on how PVOs functioned.

⁴⁸ To put this in perspective, there were 240 registered voluntary organizations in 1939, 387 in 1940, 424 in 1941, 103 in 1946, and 60 in 1948 (McCleary and Barro 2008, 518).

Ironically one of the organizations that comes to mind first whenever we think about private relief and development organizations was created and sustained by government resources.

CARE was established in November 1945 as a cooperative of 22 PVOs with the goal of providing relief packages to war-torn Europe. Originally the acronym stood for “Cooperative for American Remittances to Europe;” it was changed to Cooperative for American Relief Everywhere in 1953 to reflect the geographic broadening of its operations. The first shipment of packages arrived in Le Havre, France on May 11, 1946. The 22 PVOs joint forces in CARE in an effort to preserve their service provision operations in the face of the government pressuring them to become primarily fundraising agencies after the war (McCleary 2009, 66). The federal government was instrumental in the final push for the creation of CARE. When the PVOs could not come up with the required initial capital to start the program (\$1 million), Arthur Ringland, Consultant on the War Relief Control Board, asked the Board to allow the voluntary agencies to use their war fund allocations for their donation to the initial CARE fund (Campbell 1990, 15).⁴⁹

The original CARE packages were U.S. Army surplus 10-in-1 food ration parcels intended for U.S. soldiers in the invasion of Japan. Each package contained ingredients to give one meal to ten soldiers or ten meals to one soldier. Americans could purchase these

⁴⁹ The Council of Relief Agencies Licensed to Operate in Germany (CRALOG)—the other umbrella organization through which private relief organizations coordinated their efforts among themselves and with the German government, the U.S. Army and international organizations—was also created under the initiative of the War Relief Control Board. The Board tried to ensure that the relief agencies operating in Germany did not work against U.S. security interests (McCleary 2009, 68).

packages for \$10 each and send them to their relatives in Europe; the packages were guaranteed to arrive within four months.⁵⁰ The army ration boxes were cheaper than what an equivalent package a person could assemble herself to send to Europe cost. Initially the CARE packages were sent relative-to-relative. But in just a few months from the start of the program, CARE expanded its operations to send undesignated packages due to requests from Americans to send relief to non-relatives, and more importantly because of the strong encouragement by the War Relief Control Board to broaden the scope of the program (Ruttan 1996, 225). The undesignated packages were sent to schools, kindergartens, orphanages, and refugee camps. When surplus army rations were no longer available, CARE began assembling its own packages with the help of American companies. In the same way that the Marshall Plan became the symbol and synonym for American foreign aid, CARE became the symbol of private American compassion and giving abroad. Years after the war, Europeans remembered the care packages received from the American people.

CARE continued to have a complicated relationship with the federal government even after the initial push from the War Relief Control Board. On the one hand, the government recognized the efficiency with which CARE could mobilize private giving. White House staff Charles W. Jackson recognized that one of the key strengths of CARE was that it was “extremely efficient in building good will” (Jackson 1949). The idea of sending CARE packages was publicly supported by the government at numerous occasions as one of the key ways in which Americans could help in the relief efforts in

⁵⁰ CARE purchased the packages for \$6.50 a piece (later lowered to \$4.25) from the War Assets Corporation (Campbell 1990, 33).

Europe. President Harry S. Truman bought the first 100 CARE packages on May 7, 1946, and a special message to the American people was televised to demonstrate government support for the CARE campaign. In a press release accompanying the Christmas appeal of the Advertising Council, the CARE program was given as the “immediate answer to the problem [that] the ‘Marshall Plan’ is attacking on a long-range basis” (The Advertising Council 1948). In many mass publicity documents the CARE packages were envisioned as the personal help that Americans were sending directly to the people in Europe, while the Marshall Plan was what the government was doing to help the European economies. The two efforts were seen as complementary. On the other hand, CARE functioned in the context of strict regulation of all voluntary organizations in Europe, and the U.S. government’s actions did not always match the vocal support it expressed. After the initial agreement to sell CARE 7.7 million surplus food packages, the government in coordination with UNNRA sold it only 3.8 million packages (Campbell 1990, 22). Additionally, the President’s War Relief Control Board announced at the last minute that it would not license CARE as a relief organization if it could not secure the original number of surplus packages (Campbell 1990, 27, 29). After a considerable bureaucratic chase, CARE was finally allowed to purchase the surplus packages at \$6.50 a piece and began to distribute them in Europe.

Tax policy for charitable giving – The standard tax deduction (1944)

Not all government action during this period led to a strengthening of the PVO sector. At the same time as the War Relief Control Board intensified its PVO regulation, Congress passed tax policy reforms that took away from low-income tax payers the benefits of the charitable contributions deduction introduced in 1917. The War Revenue

Act of 1917 had allowed individuals and corporations to deduct charitable donations from federal income taxes. In 1942, Congress increased tax rates and introduced the universal income tax and tax withholding from wages to finance the war effort. As a result by 1945, 74% of Americans had to file tax returns (Aprill 2001, 850). This spurred a wave of charitable donations as a means of avoiding paying the high wartime taxes (Hall 2003, 364).⁵¹ And a great number of organizations that had always relied on charitable donations (e.g. churches) registered with the IRS as “tax-exempt,” a status that had existed since the 1917 Internal Revenue Code but was rarely used until then (Hall 2003, 364).⁵²

With the Individual Income Tax Act of 1944, Congress introduced the standard tax deduction—it was originally called simplified income tax return at the time—in an effort to simplify the tax filing process that now most Americans had to endure. The standard deduction in effect made the charitable contribution deduction useless for the majority of tax payers as it became more efficient to not itemize and claim the standard deduction instead (Clotfelter 1985).⁵³ In the years since 1944, there have been many reforms to the charitable contribution deduction (e.g. the maximum amount allowed to be deducted, the types of contributions eligible for the deduction, etc.), but none has been as

⁵¹ In Britain, the incentives for charitable donations were not available to people of more modest means until 1990 when the GiftAid scheme was introduced. In the U.S., such incentives became available to the middle class early in the century, but were then restricted after World War II.

⁵² Congress introduced the current classification of charitable organization into different 501(c) categories in 1954 (Hall 2003, 368).

⁵³ Today, only 30% of taxpayers itemize deductions (Aprill 2001, 845). This means that 70% of taxpayers do not receive the benefits of the tax incentive for charitable giving.

significant as the introduction of the standard deduction.⁵⁴ Many non-profit organizations opposed the standard deduction in 1944, but the benefits of simplifying the income tax filing process overwhelmed Congressional debate (Clotfelter 1985, 32, Aprill 2001, 851). Robert Doughton (D-N.C.), Chairman of the Ways and Means Committee, argued that the simplification would allow 30 million tax payers not file income tax returns and allow another 10 million to calculate their tax from a single tax table (New York Times 1944). There were no public hearings held in Congress so most of the public debate played out in the press. Opposition came primarily from churches. One of the main opponents was the United Stewardship Council, a representative organization of Protestant churches (Aprill 2001, 850). The National Council on Taxes and Philanthropy—a lobbying group established for the purpose of blocking the tax simplification—estimated that contributions to churches, universities and other charitable organizations would fall by 300 million dollars in 1945 (Evans 1944).

Newspaper records show no opposition from universities, museums, large foundations and hospitals. This is not surprising; such organizations have always relied on donations by high-income donors who did not claim the standard tax deduction. The charitable contribution deduction became a tool that only the rich could use, and it benefited the charities favored by wealthy donors (i.e. medical research, higher education, the arts). The charitable contribution deduction is an “upside-down” subsidy of charitable giving (Lindsey 2003, 1082). Since the charitable contribution deduction

⁵⁴ Since 1944, the trend has been towards further increasing the number of tax payers who claim the standard deduction. The Tax Reform Act of 1986 in particular contributed substantially to this trend (Aprill 2001, 854).

lowers the marginal tax rate of the donor, it provides higher benefits as we move up the tax brackets. The wealthier the donor, the greater the benefits, the greater the incentive to give to charity. The standard tax deduction hurt overseas PVOs who had always—and especially during wartime—relied on small donations from a large number of people to fund relief. The reform did not spark a wave of protest from the PVOs because in 1944 most of their operations depended on government surplus food and shipping subsidies. The standard deduction to this day continues to have the same effect: it does not provide incentives for charitable giving to the majority of taxpayers, and it disproportionately benefits charities favored by wealthy donors. While the 1917 tax act broadened the incentives and tax benefits of charitable giving to tax payers of all income levels, the tax reform of 1944 had a counter-democratizing effect on charitable giving. In contrast, over the course of the 20th century the tax instruments in Britain have been reformed in the opposite direction—to “democratize” giving by gradually opening the incentives to lower income donors and thus increasing the benefits to relief and development charities.

Post-war regulation. When the War Relief Control Board was dissolved 6 months after the end of the war, President Truman suggested to Secretary of State James F. Byrnes that together with the Secretary of Agriculture, they appoint a “new Committee on Voluntary Foreign Aid, to be made up of outstanding private citizens, to tie together the governmental and private programs in the field of foreign relief” (Truman 1946). The Advisory Committee on Voluntary Foreign Aid (ACVFA) was thus established in May 1946 with the executive order for the Board to continue its functions during peacetime,

and in particular the coordination and regulation of the voluntary agencies.⁵⁵ Related departments were supposed to provide staffing services. When it came to foreign policy, the new committee was to “be guided by the Department of State.”

The government invoked the good, productive relationship with the PVOs during the war as a reason for making this temporary wartime regulatory measure a permanent peacetime institution. While the initial motivations for tightly regulating the PVOs—wartime security concerns—were no longer present, the Committee pushed very hard for preserving most of the features of the war-time set up. One of those features was the continued registration of PVOs with the Board. (This registration requirement is distinct from the registration with the IRS as a non-profit organization.) The Committee invited the PVOs to join the new registry, and the invitation came with the “obligation to record with the Committee, for public inspection, a quarterly financial statement, a monthly report of foreign money transfers and commodity exports, a periodic budget and public audit, and current reports of operations at home and abroad” (Ringland 1954). These regulations were harsher than any peacetime measures adopted in either Britain or Sweden.

Why did PVOs agree to this continued regulation? In order to secure compliance with the new “voluntary” registration requirement, the government tied all the resources

⁵⁵ The committee still exists today in the form of the Advisory Committee on Voluntary Foreign Aid (ACVFA). There are 30 members representing a variety of private and voluntary organizations such as the major charity organizations (e.g. Islamic Relief USA, CARE), major foundations (Bill and Melinda Gates Foundation, Nike Foundation), business (Google), a number of academics, and the umbrella organization of NGOs InterAction. These representatives are appointed by the USAID Administrator for two-year terms.

made available to PVOs to registration with the Advisory Committee. Only registered agencies were eligible to apply for shipping subsidies, and after Congress passed the Agricultural Act of 1949 only registered agencies were eligible to receive surplus agricultural commodities (McCleary 2009, 64, 71).⁵⁶ Later, government agencies began using registration status as a key criterion for eligibility to compete for federal grants. Out of the 100 previously registered PVOs (McCleary's number), 61 responded to the invitation and agreed to follow these rather exacting reporting requirements.⁵⁷

While PVOs could technically choose not to register with the Committee, in reality their choice was highly constrained. Their relief operations were built on access to cheap surplus food and free or subsidized shipping. They could apply for shipping subsidies and purchase surplus commodities from the Economic Cooperation Administration only if they registered with ACVFA (McCleary 2009, 64, 71, 73) (Foreign Assistance Act of 1948). The Agriculture Act of 1949 provided PVOs with especially desirable incentives: they could receive and ship perishable food at no cost (McCleary 2009, 75). CARE in particular relied heavily on access to surplus American food even after it had moved away from distributing surplus army food ration packages. In 1953, it used 47 million pounds of surplus food to relieve the famine in Yugoslavia

⁵⁶ The ocean freight subsidies gave PVOs free shipping to the relief recipient countries. Some of the surplus commodities PVOs could purchase were food through the Department of Agriculture and clothing and vehicles through the military and other government departments.

⁵⁷ Howard L. Brooks, Associate Director of the Unitarian Service Committee, said at the National Conference on International Economic and Social Development in 1952: "...why be difficult when with just a little more effort you could be impossible? I have a feeling that there were many times when the executives of the President's War Relief Control Board might have been glad to have those words in a neon sign somewhere prominently displayed."

and planned to distribute 30 million pounds of powdered milk in Latin America (Campbell 1990, 67-8, 74). At the general conference held in Panama City that year the organization planned to expand its operation based on the expectation that the U.S. government would increase the amounts of surplus food (Campbell 1990, 68). The ocean freight subsidies and the surplus food donations helped CARE “get more food to needy people for every dollar contributed by our donors” (Campbell 1990, 153). Since they already had had access to and relied heavily on government shipping and commodities during the war, declining registration would have required them to completely restructure or maybe even close their operations. By the end of the year 103 PVOs had registered with the Advisory Committee (McCleary 2009, 59).

The regulatory efforts also led to the creation of the first umbrella organization in charge of coordinating the activities of the voluntary organizations. The American Council of Voluntary Agencies for Foreign Service (ACVAFS) was founded in 1943 in New York City under the encouragement of the War Relief Control Board.⁵⁸ The federal government created the Economic Cooperation Administration (ECA) to coordinate the reconstruction efforts in Europe; and initially it was planning on working only with the Red Cross, but at the suggestion of the War Relief Control Board, the other voluntary organizations established ACVAFS to work with the ECA (McCleary 2009). ACVAFS had a Technical Assistance Clearing House, which compiled and distributed information

⁵⁸ ACVAFS is a member of InterAction. Voluntary Committee on Overseas Aid and Development (VCOAD), the equivalent umbrella organization for private voluntary organizations in the UK, was created in 1965, 22 years later.

to voluntary agencies, the government and the UN. It published “The Role of the Voluntary Agencies in Technical Assistance” in 1953.⁵⁹

Precursors to the Point Four Program

Unlike the European governments, the U.S. government had little experience in official foreign assistance prior to World War II (Rosenberg 2003, 256). But parallel to the private relief efforts during the war, the U.S. government was building the official agencies of relief and development that formed the beginnings of its modern foreign aid regime. At the time when Europe was in ruins and needed immediate relief and development assistance, and the USSR and communism became the main security threats, an opportunity presented itself for the building of domestic institutions of foreign aid. And while the idea of an expansive government program of technical and economic assistance was novel, there were precedents of sending money to other countries through public and private channels. These already existing practices and models of assistance shaped the decisions that were made in the setting up of the new foreign aid program and its relationship with the private sector of foreign assistance. These early programs contributed to blurring the line between official and private foreign assistance. The government appointed wealthy philanthropists to head its initial official assistance programs: Herbert Hoover was appointed the head of the American Relief Administration; Nelson A. Rockefeller was in charge of the Institute for Inter-American Affairs. And these first programs reflected their leaders’ interests and expertise.

The Point Four Program is considered the first U.S. foreign aid program. However, during the war there were already small regional foreign aid programs that

⁵⁹ I discuss the report in the section on technical assistance on p. 181.

served as precursors—and trials—for Point Four. Three of the largest pre-Point Four programs were the Export-Import Bank, the Interdepartmental Committee on Scientific and Cultural Cooperation, and the Institute of Inter-American Affairs; all three were directed at Latin America (Ruttan 1996). The Export-Import Bank of Washington was set up in 1934 to extend loans for industrial and infrastructure projects in Latin America; its activities gradually expanded to also making loans for food relief in Asia. Congress made it an independent agency in 1945. The bank played an important role in the reconstruction of Europe after World War II and in supporting trade with Eastern European countries after the Cold War. The bank exists today as a self-funding agency. The Interdepartmental Committee on Scientific and Cultural Cooperation was set up in 1939 to deal with requests for assistance from Latin American governments. The Committee organized short-term technical missions such as setting up libraries and schools. It did not have enough funding to run any of these operations, so its staff mostly advised and consulted. The Committee was disbanded in 1950.

The Institute for Inter-American Affairs is often cited as the most influential pre-Point Four program. In August 1940, the Council of National Defense created the Office for Coordination of Commercial and Cultural Relations between the American Republics (later renamed OIAA). Nelson A. Rockefeller headed the new agency. The motivation behind the program was the fear that Nazi Germany and the Axis powers would exert influence in the region now that its economies were weakened by the interruption of trade (Cramer and Prutsch 2006). The initial plan for the program was to offer cooperation in a number of policy areas to countries in Latin America, but the final program concentrated

on improvements in public health only. The program established a number of bilateral agreements between the U.S. and countries in Latin America. The OIAA developed training programs for doctors and nurses, public health campaigns and cooperation projects on a variety of health problems. The focus on public health was in part due to Rockefeller's personal interest and experience in the field (Cramer and Prutsch 2006). The Rockefeller Foundation had already worked on a number of public health campaigns in Latin America in the interwar years (Rosenberg 2003, 253-4). The OIAA approach of signing bilateral agreements and establishing country-level joint organizations (called *servicios*) carried on to subsequent U.S. technical assistance programs (Ruttan 1996). By 1950 the OIAA had spent \$163.2 million. All these precursor foreign aid programs had in common the blurring of public and private interests via the appointment of wealthy philanthropists.

Post-World War II Foreign Assistance

Strategic and economic interests motivated the first two post-World War II official U.S. programs of foreign aid. In February 1947, Britain announced that it was no longer going to be able to provide financial assistance to Greece and Turkey. Truman and Marshall realized that the U.S. was going to have to step in to provide stability to the two regimes in the beginning of the Cold War. President Truman asked Congress for \$400 million for economic assistance to Greece (\$250 million) and Turkey (\$150 million) arguing that if the two countries did not receive immediate economic assistance, they would fall in the hands of Communism and would put the entire region in danger. This was the first formulation of the Truman Doctrine. Congress passed the Greek-Turkish Aid Act in May 1947. The U.S. government established Aid for Greece and Turkey

program of economic assistance with the aim of supporting the regimes in these countries. No military forces were sent. The program was considered a success: Greece and Turkey joined NATO in 1952.

At the heart of the Marshall Plan, the second post-World War II aid program, was the fight against communism. The winter of 1946-47 was especially harsh in Europe, and many U.S. observers were afraid that the dire economic conditions would lead to political extremism. Secretary of State George Marshall introduced the Marshall Plan on 5 June 1947 in his Harvard University commencement speech. In March 1948, Congress passed the Economic Cooperation Act, which approved the funds for the four-year program and established the first independent foreign assistance agency, the Economic Cooperation Administration (which later become USAID). While Point Four might not be the first development program, the Technical Cooperation Administration (TCA) was the first U.S. bureaucracy in charge of administering aid (Ekbladh 2010). The total amount spent on the Marshall Plan was USD 44.3 billion (including grants and loans to countries in Europe and Asia from 1945 to 1953). Just like the aid for Greece and Turkey, Congress approved the spending for the Marshall Plan motivated by fears of the spread of communism (Lancaster 2007). However, the administration knew that it cannot sell the Marshall plan to the American public with the same selling point as the Aid for Greece and Turkey (deter the U.S.S.R) because the American people would not support such deep U.S. engagement in Europe; instead the Marshall Plan was packaged as the plan that would help Europe help itself (Ruttan 1996).

The Point Four program was the first foreign aid program to have a predominantly developmental agenda (Ruttan 1996, 49). Harry S. Truman introduced the idea for the Point Four program in his second inaugural address on 20 January 1949. In the fourth point of his foreign policy plan—after the United Nations, the Marshall Plan, and NATO—Truman declared that the United States would embark on a “bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas” (Truman 1949). The idea for the program came to Truman’s attention in a serendipitous fashion. Benjamin Hardy, a public affairs officer at the State Department, developed the idea in response to a request for material for the inaugural speech from Clark Clifford, Truman’s Special Counsel. Hardy’s memo was not forwarded to the White House, and so he decided to contact the White House himself and called Clifford’s assistant George Elsey. Clifford showed the proposal to the President, and Truman loved it. The idea was developed further for the speech without consultation with the State Department (Ruttan 1996, 50).

The public reaction to the Point Four idea was ambiguous. On the one hand, there was great support for helping poor countries as demonstrated also by the level of donations made for relief in Europe. But on the other hand, the idea seemed half-baked, and nobody knew exactly what this “bold new program” would entail. In his memoirs Truman stated that even though the ideas for the Point Four program and the Marshall Plan were developed almost at the same time, they were conceived as having fundamentally different functions (Truman 1955). The Marshall Plan (and the Aid for Greece and Turkey program) was meant to provide temporary post-war relief and

reconstruction, while Point Four was intended as a perpetuating program of technical assistance whose purpose was to lead to development in underdeveloped countries (Truman 1955). The responsibility for the execution of the Point Four program was given to the Department of State. In June 1950, a year and a half after Truman's inaugural address and after much heated debate, the Senate passed the Act for International Development. Congress granted the program only \$35 million of the original \$45 million Truman requested, and for a while there was no clear plan on how to implement the concept introduced in the inaugural address. But Point Four gained much support among the development PVOs and the wider public in the initial Congressional negotiations and in the first year after its creation (Ekbladh 2010). The act established an advisory board of representatives from business, labor, agriculture and voluntary agencies to consult in the creation and operation of the future technical assistance program.

How were PVOs envisioned to work with Point Four? In a statement for the Conference on Point Four taking place in Washington, D.C. in April 1952, the Truman administration presented their vision of the involvement of voluntary organizations and business in the Point Four Program. Point Four, according to the speech, was not a substitute for the work that missionaries and private business had been doing for many years prior, but rather it "open[ed] up new fields in which their experience can be used" (Lloyd 1952). The list of examples given for already existing cooperation between private organizations and the federal government included agreements with universities for training foreign nationals in the fields of agriculture, engineering, and other technical fields, agreements with American firms to carry out specific high-skilled projects, and

agreements with missionaries and other non-profit organizations to carry out health programs and other social services. The speech also outlined ways in which the cooperation between Point Four and the private organizations could be extended: through help in personnel recruitment abroad, disseminating information about Point Four, exchange of experience and ideas and cooperation on projects. As in all other public statements about Point Four of the time, there was strong emphasis placed on the role of private investment in the programs sponsored by Point Four funding; this made business the key private actor the government cooperated with. This was evident in the number of contracts and their total value awarded by TCA by June 1952: 16 contracts to businesses (\$1,653,471), 22 to universities (\$1,637,813), 9 to voluntary organizations (\$680,392), and 2 to foreign governments (\$15,700) (American Council of Voluntary Agencies for Foreign Service Inc. 1953).

What did the U.S. regime of international giving look like in the aftermath of World War II? The government's efforts to consolidate the relief PVOs succeeded in creating a well-coordinated sector made up of fewer larger organizations. By providing access to cheap—and very often free—surplus food and commodities and subsidized freight shipping the government also ensured that the PVOs operations continued to be dependent on government resources. Using surplus commodities and free shipping was more financially efficient than trying to raise more money from charitable giving. While the PVOs were invited as partners in the discussion of the Point Four program, they were not given much voice or any decision-making power. By this point the PVOs had already become to be seen primarily as distributors of government provided goods. But we

should not think of the PVOs as victims of regulation. They were faced with a dilemma—a dilemma humanitarian organizations constantly encounter—of whether to maximize the relief they can provide by taking the surplus food and free transport or to not take these government resources and face the uncertainty of procuring food at higher market prices. They chose the former. Their choices built upon each other, and gradually PVOs found themselves highly dependent on government resources.

Trajectories of change and continuity

During World War II and its immediate aftermath, the U.S. government worked to reshape the private foreign assistance sector by providing irresistible incentives such as ocean freight subsidies and surplus army and agricultural commodities alongside increasing the regulation and oversight it had over the PVOs. The access to subsidies and commodities coincided with the introduction of the standard tax deduction, which limited the use of the charitable contribution deduction for donors of modest means—the donors PVOs traditionally rely on. In the following decades, the government built on the regulatory foundations it had established during wartime and continued to co-opt the work of PVOs. Gradually the practice set in place during the war evolved into treating the PVOs as commodities distributors. In this last section of the chapter, I trace these developments. In the 1950s, the government continued to provide access to shipping subsidies and commodities and moved in to regulate the sector even further. In the 1960s, USAID began to provide funding to PVOs for technical assistance and development projects. As soon as it began doing so, USAID also began creating its own PVOs called *volagencies*—small technical assistance agencies with expertise in a specific area created especially to work with USAID (McCleary 2009). In the late 1970s, USAID introduced

the first matching grants program and introduced even further restrictions on the geographic and issue areas in which PVOs could work.

Expansion of access to shipping subsidies and surplus commodities (1950s)

By 1951 the U.S. was already deep in the grasp of the Cold War following the start of the Korean War. In August of that year, Truman signed the Mutual Security Act, which combined military and economic aid under the authority of one agency, the Mutual Security Agency (MSA). Many contemporary observers and later analysts saw this as the end of the original development mission of the Point Four Program. The act continued most of the practices established during the first post-war years. The government gradually increased the funding and commodities available to PVOs through the channels through which it had funded them during the war and the initial relief efforts. It also heightened the level of regulation. Under the ECA PVOs had to be “recommended” by the Advisory Committee, but under the Mutual Security Act of 1951 they had to be “approved” (McCleary 2009, 76). The language in the Mutual Security Act was not matched by equally strong enforcement mechanisms (McCleary 2009, 77). But the change in the way the government defined the position of the PVOs was an important step in the process of making the PVOs compliant. It is surprising to what extent the PVOs went along with the increased oversight and regulation. There was some opposition from the PVOs, but it came mainly from the Protestant organizations and was not enough to change the course of government policy towards the PVOs (McCleary 2009). Indeed, only the American Friends Service Committee refused to receive technical assistance contracts through the Marshall Plan (McCleary 2009, 73, 77). Most other PVOs signed on to the tightened regulations.

In April 1952, following a recommendation from President Truman, the First National Conference on Economic and Social Development was organized to “broaden the understandings of conditions and problems of the underdeveloped areas, and to clarify the stake and responsibility of Americans in the successful operation of programs of economic and social development of these areas” (First National Conference on International Economic and Social Development 1952). The conference was supposed to be non-partisan, and to include the views of a variety of groups involved in international development. Dr. John A. Hannah (President of Michigan State College) chaired the committee, and the list of participants included members of the U.S. government, international organizations, developing countries, PVOs, religious organizations, farmers associations, labor unions, civil society groups, etc. The tone of the conference was to a great degree congratulatory of the achievements of the Point Four Program.

The voluntary organizations were given time to speak about their experience and their views of their role in development. The statements the PVOs gave did not speak to a unified theme or question, but rather discussed more generally their experience in the provision of relief and development services. Only three of these statements referred directly to the dynamics between private and government aid. Howard L. Brooks, Associate Director of the Unitarian Service Committee, stated in his remarks that the PVOs “had a taste of government control” in their experience with the President’s War Relief Control Board during the war, and “frankly, we didn’t like it” (First National Conference on International Economic and Social Development 1952). But he also recognized that complex and big problems like development necessitate cooperation.

Willis Weatherford, from the American Friends Service Committee, stated that PVOs could achieve a more personal contact with the recipients of aid and suggested that this advantage could be undermined if PVOs worked too closely with government aid programs. She said that private voluntary aid was an expression of the desire to help others without the “ulterior motives” of official aid. The government officials present did not refer in their statements to the relationship of official and private aid. Their focus remained on the Point Four Program.

Technical assistance by PVOs. In addition to providing relief, PVOs were also involved in development aid in the post-war years. According to a count by ACVFA, in 1950, over one hundred American PVOs and missionaries were running 2,5000 technical assistance projects in Latin America, Africa and the Far and Near East (American Council of Voluntary Agencies for Foreign Service Inc. 1953). Many PVOs also administered development programs in Europe, and received government reimbursements for the ocean transport of goods to European countries eligible for Marshall Plan assistance. The geographic requirement for obtaining free shipping was one of the ways in which the federal government exercised control over PVO development projects even when the programs did not receive any government funding. While government statements and reports of the time recommended the cooperation and contractual relationship between the government and PVOs on technical assistance projects, the perspective coming from the voluntary organizations was more nuanced. In the 1953 report on the role of PVOs in technical assistance, ACVFA was of course careful to state that such cooperation is beneficial, but it also cautioned that in some cases

cooperation (and especially a contractual relationship) would not be the best route to organize programs of technical assistance (American Council of Voluntary Agencies for Foreign Service Inc. 1953). One of the dominant themes in the report was the concern that PVO technical assistance programs might not continue after governmental or intergovernmental programs ceased to operate. The role for PVOs envisioned in the report was one of continuing the programs began with government funding, not one radically different from the role of government programs. The implicit message behind these statements was that the PVOs would continue to provide aid even when strategic or economic interests that motivated government programs ceased to exist. The PVOs also placed themselves in the role of mediators between government agencies and the recipients of aid; they could help the recipients understand the government projects, express their needs and ensure the recipients' participation in the planning and execution of the projects. Another advantage that the PVOs saw to their work was that they could administer pilot projects without the worry of having to "show results."

In 1954, Congress passed the Agricultural Trade and Development Assistance Act, which created the Food Aid program. The program became known as the Public Law 480 program (P.L. 480) until it was renamed Food for Peace in 1961. The goal of the program was to send U.S. surplus agricultural products abroad. This was done through three different channels: 1) provision of concessional loans to developing countries with which they purchased U.S. agricultural products; 2) the direct transfer of U.S. food to countries through PVOs; and 3) assistance to countries to improve food production and distribution (McCleary 2009). The food aid program had strong support

from PVOs, anti-hunger advocacy groups and farmers (Lancaster 2007). It is well known that the food aid program since its very beginning was driven to a great extent by the need to utilize surplus agricultural commodities and was therefore supported by farmers' lobbies. I will not discuss here the arguments on whether the program was inspired more by true humanitarian concerns to feed the needy or the interests of U.S. farmers. The program was implemented and has continued to exist precisely because it was driven by a plethora of concerns and interests and because a coalition was built between different actors to channel these interests (Ruttan 1996). What I am interested in is how the food aid program built on the foundation of channeling surplus commodities through the PVOs and the effect that the institutionalization of this practice after the war had on PVO operations.

CARE was one of the organizations that benefited tremendously from the access to surplus food. Wallace J. Campbell, founding member of CARE, pointed to how the increased amounts of free surplus food made available to PVOs by the U.S. government contributed to CARE's shift from delivering food packages to distributing bulk food relief in the mid-1950s (Campbell 1990, 69, 152-3). More importantly, in 1955 when CARE was faced with the decision of whether its mission had been completed and the Executive Committee considered ceasing operations, the prospect of available surplus food that could be transformed into "powerful weapons for aid and development" tipped the balance towards keeping the organization going (Campbell 1990, 71, 73). This is a clear example of how the availability of surplus food gave the *raison d'être* to one of the biggest U.S. PVOs—and an influential international NGO for relief and development—

and how it determined CARE's operational direction. CARE was one of the extreme examples of reliance on surplus food, but it was not unique in its overwhelming use of PL 480 commodities. Since its initiation the food aid program has gradually increased the share of surplus food delivered through PVOs. Equally importantly, food aid could not have been as successful as it was if PVOs had not already gotten a taste for surplus food and the experience of distributing it during the war. The Food for Peace Program continues to channel 2.6 metric tons of surplus agricultural products annually to 44 developing countries through PVOs and the UN World Food Program. Of the original three channels of food distribution, only the PVO and WFP channel exists today. The program no longer provides loans to governments to purchase food nor distributes food directly to governments.

In their 1958 publication "Foreign Policy Objectives and the Voluntary Sector of Overseas Activities," the American Council of Voluntary Agencies for Foreign Services (ACVAFS) expressed the mission of voluntary organizations as working towards the goal of American foreign policy:

During the 20th Century it is impossible to escape from the fact there exists a struggle for the minds and souls of men. This struggle may be conducted by words and by every means of propaganda, and it also may be conducted by deeds and by example. The voluntary sector, besides promoting peace and abiding sense of brotherhood through programs of cooperation to meet human need, performs a basic service to truth which is deeply significant to the whole future development and ultimate goals of American foreign policy (Ekbladh 2010).

This overlap of goals and recognition that both the government and the PVOs were performing similar programs was not present and was not possible in Britain where there was clear separation of functions of the overseas charities and the government: the

government provided technical assistance for development and the voluntary organizations were allowed to provide emergency relief only.

AID and the Volagencies (1960s)

In 1961, Congress passed the Foreign Assistance Act, which is still the main document guiding the U.S. foreign assistance program, and marked the beginning of the “development decade.” The Act created AID as an agency within the Department of State. Just like in Britain, the power balance between AID and the Department of State has shifted a number of times since the creation of the agency. For most of the time since 1961, AID—and later its successor USAID—has been subordinated to the Department of State.

In the 1960s and through the 1970s, AID began funding the creation of small PVOs focused on technical assistance. They were called *volagencies*⁶⁰. AID created them because it did not trust that the existing PVOs had the capacity to provide technical assistance (McCleary 2009, 84, 100). The newly created volagencies functioned primarily as service providers for AID as they did not raise funds through charitable donations and their main source of revenue was government funding. The most well known of the volagencies created at the time are the Asia Foundation (1954) and the African Development Foundation. The volagencies also created their own umbrella organization because ACVAFS was reluctant to admit them (McCleary 2009, 100). Ironically the acronym for the new umbrella organization was PAID—Private Agencies in International Development.⁶¹ The creation of the volagencies was another successful

⁶⁰ Ruttan calls them public foundations.

⁶¹ PAID and ACVAFS merged in 1984.

attempt by the U.S. government to restructure the PVO sector. While during World War II it consolidated the PVO sector in the name of efficiency, in the 1960s it went a step further in creating its own non-profit organizations in the name of expertise.

Matching Grants Program (1978)

In 1978, USAID introduced the Matching Grants program only three years after Britain did.⁶² It is telling that the U.S. had provided resources to PVOs since World War II, but introduced matching grants—a responsive funding mechanism—later than Britain and Sweden introduced their equivalent co-funding programs. Compared to the programs in other countries, the AID program restricted the geographic scope and issue area of the PVO programs. It is also significant that the matching grants program came after AID had already been providing funding to PVOs for technical assistance. As I will show in the next chapter, in Britain the Joint Funding Scheme was the first program to transfer official funding to the British charities and came at a time when the charities had already built a substantial donor base and had begun working on development projects on their own. In the U.S., the matching grants were introduced only after the PVOs had worked as surplus food distributors for three decades. In part as a result of this new funding mechanism, AID doubled the amount of funding it channeled via PVOs between the mid-60s and early 80s (Ruttan 1996, 229).

After the Cold War

At the end of Cold War international humanitarianism underwent a transformation of purpose and organization (Barnett 2005). The relief NGO sector faced an ever-increasing need for aid matched with increased donations from states, IGOs and private

⁶² Britain introduced its first matching grants program the Joint Funding Scheme in 1975, and it was the first program to channel official resources through the overseas charities.

donors. But as much as their work as international actors was transformed, they continued to function as domestic PVOs as well (Stroup 2012). The domestic institutions through which they received funding from the government and private donors were not drastically reformed in the post-Cold War period. USAID shifted how it thought about the purpose of relief and development aid, but it continued to fund PVOs through the same institutional channels that it had developed in the decades since World War II. One of new trends that USAID has introduced is allowing for-profit organizations to compete for government funding alongside PVOs. The PVOs have in effect become contractors competing to implement government-designed projects. This shift, however, is not a radical departure from how USAID and its predecessors have worked with non-governmental entities since World War II. Indeed, this is the next logical step in the gradual co-optation of the PVOs that began in the mid 20th century.

Conclusion

Since the early 20th century the U.S. federal government has gradually moved towards simultaneously making PVOs more reliant on official funding and regulating them more. The result has been the creation of a PVO sector that is efficient at providing relief and compliant with government policy and requirements. This process of cooptation began during World War I when the government gave the American Red Cross and the Hoover Commission for Relief in Belgium quasi-official status, which provided those organizations access to resources and official approval. Surprisingly, opening the meaning of charity early in the 19th century allowed for PVOs to be co-opted by the government during the two world wars. In Britain, where the charitable uses categories were in effect until 2012, the strict limitation on the activities that overseas

charities could do kept them separate from the government-sponsored development programs but also forced them to rely primarily on fundraising rather than government funding.

During World War II the government moved again to increase regulation and oversight over the PVOs and simultaneously provided them with more government resources. The overall effects of these developments have been to allow PVOs to reach more people, charitable giving was encouraged, the PVO sector was consolidated and strengthened, and more and more official funding was channeled through the PVOs. The U.S. government not only encouraged the American people to donate to PVOs during and after World War II, but it also forced PVOs to use the funds they received from the American people in what was perceived as the most efficient way. The fact that the government allowed the use of surplus army packages in the CARE campaign and later made available surplus agricultural products, allowed the early PVO campaigns to flourish and sustain their support and popularity among Americans. The forced consolidation of agencies and funding appeals together with the creation of umbrella organization of PVOs during and immediately after World War II created a private aid sector that was highly regulated and forced very early to demonstrate efficiency to its constituents.

The War Relief Control Board recognized the potential overlap in the services provided by the private and public agencies in the relief efforts during World War II, and sought to exploit the overlap in addition to minimizing the competition between the voluntary agencies. In Britain, the situation was quite the opposite; the functions of the

public agency and the voluntary organizations were seen as entirely different (development vs. poverty relief) and as such no potential for overlap was seen. In that sense, the responsibilities of each sector were proscribed clearly as strictly different. In Britain, the Charity Commission has made sure that the charities do not break the boundaries of their trusts. This difference between the two countries is in part due to the different time in which the two sets of institutions were built. In the United States, this occurred during World War II – and starting in the early years of the war – when the country stood outside the war and witnessed the need for relief. The first British aid ministry was created in 1964 when the major pre-occupation in the field of international aid (both internationally and domestically) was not with immediate relief, but with economic development and poverty eradication.

The sequence of providing PVOs access to resources and tightening the regulations is especially important for explaining the culture of compliance among U.S. PVOs. Expanding their access to free shipping and cheap surplus commodities *before* each round of increased regulation meant that when in the post-war years they were faced with donor fatigue, restricted use of the charitable contribution deduction and the possibility of having to pay for ocean freight and purchase commodities at market prices, they did not have much choice but to comply.

Much of the narrative in this chapter is built around the experience of two large organizations—the American Red Cross and CARE—in working with the federal government. The experience of these organizations is certainly not universal, and there were some organization—notably the American Friends Service Committee—that

refused to follow their lead in entering into close partnership with the federal government. However, the experience of these organizations is important in understanding the development of the relationship between the government and the private sector of foreign assistance. Those crucial decisions to enter into partnership with the government that ARC and CARE made during the two world wars structured the options and incentives that other PVOs had during those periods and after. The decisions to take government resources—whether it was official approval and publicity, surplus food, or direct funding—and in exchange allow increased oversight produced a PVO-government relationship in which five PVOs receive 50% of government funding. This landscape of the U.S. charitable sector is important for understanding the narrative of the U.S. regime of international giving. In a country that cherishes voluntary and decentralized action, it is ever more striking that at key moments of transformation of international relief and development a very small number of organizations controlled most of the public and private resources available for relief work. This concentration is not accidental. As I showed above, the War Relief Board actively worked to consolidate the relief efforts during and immediately after the war. And the desire to centralize charitable giving was present even earlier than that during the 1890s in its encouragement of the American people to channel their donations for relief in Cuba to the American Red Cross.

TABLE 4.1. U.S. Government agencies regulating the PVOs through the years

Agency	Years in operation
President's Committee on War Relief Agencies	1939-1942
War Relief Control Board	1942-1946
(Advisory) Committee on Voluntary Foreign Aid	1946-1951
Foreign Operations Administration / International Cooperation Administration	1953-1961
U.S. Agency for International Development	1962-present

Chapter 5 – The British Regime of International Giving – Opposition Politics

In this chapter, I apply the theoretical framework of regimes of international giving I developed in chapter 2 to the British case. In chapter 3, I presented an overview of the contemporary British regime of international giving following the three elements of the regime (i.e., public spending, indirect government interventions in private spending, and private spending). The British regime of international giving is characterized by a strong verbal commitment by the government matched with 0.71% of GNI spending on foreign assistance in 2014. Private charitable contributions to foreign assistance have remained stable through the years, but at lower levels compared to the United States and even Sweden in some years (Figure 3.6). At the same time, however, the relief and development charitable sub-sector is one of the strongest within the overall British charitable sector; it collects a large portion of the total amount donated to charity (10%), and it is able to mobilize the British public for large fundraising campaigns. This strong position and support has allowed British relief and development charities⁶³ to be fairly independent from the government. They have defended their relative autonomy ruthlessly and have often raised strong opposition to government aid policy. The nature of politics between the public and private sectors of giving is one of *opposition*.

I process-trace the historical development of the British regime of international giving in the post-World War II period, and I focus on two key aspects, the relationship

⁶³ In this chapter I refer to the British relief and development voluntary organizations as charities because this is their legal status and because they refer to themselves as charities.

between official aid institutions (i.e., the Ministry of Overseas Development in its various incarnations since 1964) and the private sector of giving, and the relationship between the Charity Commission and the private sector. In the first section, I give an overview of the 17th century origins of the idea that charities are forbidden to do political work, and I give a brief overview of the British private aid sector prior to the establishment of the modern official foreign aid program. In the second section, I trace the dynamics of the creation of the Ministry of Overseas Development in 1964 and how domestic norms about the role of charity influenced the early interaction of the government and the private relief and development sector. Britain's colonial legacy and its recognition that it has special responsibility for the development of its former colonies played an important role in how the British government negotiated how much aid and to whom it was going to provide in the post-colonial period. Dealing with the colonial past was a demand that Sweden and the United States did not face. In the third section, I map out how official development aid and private contributions co-evolved in the 70s, 80s and 90s. I focus on key moments when the established relationship between the public and private sectors of foreign assistance was challenged. Many of these moments were the disputes that the British overseas charities had with the Charity Commission over whether their activities violated the charitable uses laws and the subsequent reactions of the government to reform or uphold these laws.

This chapter demonstrates that because long-standing legislation has prevented charities from doing political work since the 17th century, the official development program was understood from its very beginning in 1964 as separate from the efforts of

the private voluntary organizations involved in overseas assistance. As a result, the private and public aid sectors have never been viewed as functionally equivalent to each other or as contributing to the same goals (quite in contrast to the U.S. norms on the functions of charity). This understanding contributed to the fact that the overseas charities remained financially independent from the government for much longer than the relief and development organizations in the United States and Sweden. Therefore, the British overseas charity have been able and willing to express much more opposition to government aid policy than the relief and development organization in either the United States or Sweden. Equally important for the development of the regime was the timing of the creation of the Ministry of Overseas Development; in 1964, the overseas charities had already become a strong sector with extensive public support

Domestic culture of compassion in the early 20th century Britain

Origins of the charities' limitation to non-political work

Relief and development NGOs have until very recently been constrained by laws about what charities are allowed and not allowed to do established in the 17th century. Legislation on charitable uses required that they do not do any political work in order to keep their tax-exempt status. They could relieve the effects of poverty, but they could not take any actions to change the conditions that lead to poverty. Of course, the 17th century parliamentary acts establishing this limitation have been repealed since then, but the norms of what constitutes acceptable charitable uses have been preserved due to common law's reliance on and use of case precedent.

These limitations on charitable uses stem from the first law regulating charity in Britain, the *Statute on Charitable Uses Act of 1601* (also known as the *Statute of*

Elizabeth I). The statute used the separation between the “employable” and “unemployable” poor that already existed in the Poor Law⁶⁴, and established which institutions were to be in charge of each group. The employable poor were to be cared for by the parishes and were to be helped back into the labor force. The unemployable, on the other hand, were to be cared for by the charities (Taylor and Kendall 1996). The Statute thus combined regulations from the sphere of charity and its taxation with regulations from the Poor Law (Taylor and Kendall 1996). This separation of functions—charities caring for those who cannot be permanently lifted from poverty, and the local state helping those who can work find employment—proscribed what charities can and cannot do and positioned them firmly into the realm of not changing the conditions of poverty. This understanding of the role of charities continued to provide a regulatory framework for charitable uses until the early 21st century. While the Statute was repealed in 1888, the preamble has continued to serve as a definition of charity and that definition has been reaffirmed in all acts on charitable uses since then. The preamble contained a list of appropriate charitable uses, but the list was not exhaustive. In 1891, in the High Court judgment of the *Pemsel* case⁶⁵ Lord Macnaghten synthesized the charitable uses list into four categories: relief of poverty; advancement of education; advancement of religion; and other purposes beneficial to the community (Thomas and Kendall 1996, Miller 2012). Since then courts have looked to find analogies with these four categories whenever a new charitable activity has come under investigation. Court case after court

⁶⁴ In the same year, Parliament also passed the *Poor Relief Act* (also known as *Elizabethan Poor Law*).

⁶⁵ *Income Tax Special Purposes Commissioners v. Pemsel* [1891] A C 531

case has reaffirmed this definition of charity and these charitable uses. The Statute also created the post of traveling charity commissioners who could move around the country to investigate the work of charities and sanction those violating the regulations. While the Poor Laws underwent a number of reforms since 1601, the charitable uses legislation was not substantially reformed until the *1853 Charitable Trusts Act* (Taylor and Kendall 1996). The 1853 Act created the office of the Charity Commission, which had more regulatory power than the previous traveling commissioners. However, it did not provide a new definition of charity or change the charitable uses categories.

During the early 18th century the distinction between employable/undeserving and unemployable/deserving weakened in the application of the Poor Law, and philanthropic activity blossomed. This was in part due to the accumulation of wealth caused by increased land prices but also to increased demand for charity (Taylor and Kendall 1996). Wages were no longer sufficient to keep someone out of poverty, and new aid mechanisms such as wage “top-ups” and outdoor relief, which did not require the recipient to live in the workhouse, were introduced. But this era of expansion of charities’ regulation was soon over. The rapid industrialization and population growth worsened poverty and revealed the incapacity of the existing system to deal with problem. The 1834 reform of the Poor Law returned to the distinction of deserving and undeserving poor, and reinstituted the main function of state-provided aid as getting the poor out of unemployment. Aid for those who could not be helped to help themselves (i.e. pure poverty relief) was left up to the charities. This separation of “mutually exclusive spheres” was further crystallized in a letter by Lord Goschen, President of the Poor Law

Board, in 1869 (Taylor and Kendall 1996). These charities laws were not significantly relaxed until 1995 after a long series of disputes between the Charity Commission and the overseas charities, and the definition of charity was reformed and given statutory effect only in the *Charities Act of 2006* (more on the act below on page 34) (Saunders 2009, Miller 2012).

The Golden Age of Victorian Philanthropy: Late 19th and early 20th centuries

Domestic charities. The late 19th and early 20th centuries are often referred to as the golden age of British philanthropy and volunteering (Taylor and Kendall 1996, Hilton and McKay 2011). Charitable giving was the second largest spending category after food, and privately funded poor relief exceeded government spending in the late 19th century (Taylor and Kendall 1996). A great number of voluntary charity organizations funded and organized most of the social services in Britain, especially those services directed at the “unemployable” poor per the regulations described above. Indeed, many of the welfare state programs that developed in the early 20th century came directly out of the work that charity and voluntary organizations were doing. In the years between the two World Wars, the British state increasingly took over the provision of some of these services: health care (motivated by the need for healthy soldiers), education, and housing. In the 1940s, the state passed legislation that firmly made it the sole provider of welfare: the Education Act 1944, the National Health Service Act 1946, the National Insurance Act 1946, and National Assistance Act 1948 (Taylor and Kendall 1996). The state provision of these services previously in the purview of the charitable organizations reshuffled the charitable sector. The pressure this put on the charities inspired William Beveridge to review the laws and regulations guiding their work in his 1948 *Voluntary*

Action: A Report on the Methods of Social Advance, which followed his influential texts on social insurance and full employment (Hilton and McKay 2011). The special Nathan Committee appointed in response to his concerns wrote the *Charities Act of 1960* (Hodgson 2012). The act gave the Charities Commission further power to consolidate some small charities, but again it did not reform the definition of charity and charitable uses (and therefore they continued to be subject to interpretation by the courts) nor their tax status (Black 1992, Taylor and Kendall 1996).

Overseas charities. Charitable organizations were also very active in the provision of aid abroad since the late 19th century. There were a few organizations working on bettering the lives of those abroad. Most notably Quaker associations have been prominent providers of relief abroad since the mid-19th century. The Friends Foreign Missionary Association was established in 1868, and it began providing aid to improve hospitals and schools in China, India and Madagascar (Saunders 2009). The Friends War Victims Relief Committee (FWVRC), which since its inception in 1870 in the context of the Franco-Prussian War, provided relief during almost every war that took place in Europe in the late 19th and the 20th centuries (Saunders 2009). The Friends Ambulance Committee operated during both World Wars.

Most of the other major voluntary organizations working on international relief and development today were established during the two World Wars to provide relief efforts on the continent (Saunders 2009). Save the Children Fund (originally called Fight the Famine) and Oxfam (originally the Oxford Council for Famine Relief) are the most well known of these organizations. The Save the Children Fund's first campaign was to

provide milk to the children of Vienna in April 1919. It was the first British organization to provide relief to non-allies (Barnett and Weiss 2011). In comparison with the relief effort in the United States, however, most of the British charitable activities during World War I were dedicated to helping British and Empire soldiers when they were in the field and when they came home from the war. Only 8% of war charities registered in 1919 delivered aid for refugees and overseas assistance; the rest provided comforts and medical care for the troops, services to disabled veterans, and post-war memorials and celebrations (Grant 2011). World War II gave birth to the Oxford Famine Relief Committee and Christian Aid. Oxfam was established to provide relief in Greece during the 1942 famine caused by the Axis occupation. Christian Aid (originally the Christian Reconstruction in Europe) was established in 1945 and provided refugee aid on the continent.

In the aftermath of World War II, these established charities continued their work, and a number of new organizations were created to help in the relief and reconstruction of Europe, and then gradually extended their operations to the developing world (Saunders 2009). The most notable examples were Christian Aid formed in 1945, and the War on Want campaign established in the wake of the Korean War in 1951. As they extended their work into these “new” for them territories and development theories shifted to emphasize the self-help and self-sufficiency principles in the late 50s and early 60s, voluntary organizations in Britain started coming up against the limits of their charitable trusts constraining them to doing relief work (Saunders 2009).

Post-War Years:

During the 1950s and early 1960s, the British overseas charities gained tremendous support from the British public and extended the geographic and mission scopes of their operations. Those are the years in which some of the relief and development organizations with the most name-recognition today gained their positions. Oxfam continued to build momentum in the 1950s. In 1951, it raised £80,000 (Black 1992). It provided relief during the 1951 famine in Bihar, India, the 1956 Hungarian Uprising, the Korean War, the Algerian civil war, and to Palestinian refugees in Jordan. Oxfam gained tremendous “popularity” among the British people during the mass starvation in the Congo in 1960 when the *Daily Mirror* published a four-page article on the ongoing famine and mentioned Oxfam as having sent aid to the Congo (Black 1992). Oxfam took advantage of this publicity and sent copies of the article to its supporters, and thus created a “massive outpouring of public generosity” (Black 1992). In less than a month, Oxfam collected £104,000 from its donors and the contributions from other overseas charities. It became known as the British charity that saves starving children overseas.

During the late 50s and early 1960s, the British overseas charities also began working together on a variety of campaigns and thus consolidated their collective power. The first of those campaigns was the U.N. World Refugee Year in 1959. The British committee of the World Refugee Year engaged all the major relief charities, local governments, the media, celebrities and politicians. The fundraising campaign raised more funds (£9 million total) than the campaigns in any of the other 39 participating countries (Black 1992). In 1960, 76 relief and development charities came together again

to work on the British chapter of the U.N. Freedom From Hunger Campaign (FFHC).

The campaign was the second major campaign in Britain in the post-World War II period, and followed soon after the very successful World Refugee Year. In addition to the main relief charities (Oxfam, Save the Children, Christian Aid, and War on Want) the campaign also included the Labour Party and a number of women's organizations (Saunders 2009). Its mission was not to fundraise for temporary food aid during famines, but to help bring about agricultural development (Black 1992). The campaign collected £7 million by 1964 and operated projects in 61 countries (Saunders 2009). Through this campaign the British relief and development charities built an extraordinary support for foreign assistance, established themselves as important actors in overseas aid, and most importantly, shifted their mission from providing relief to working for development (Black 1992). As part of the campaign, Oxfam worked on development projects in two British High Commission territories: the "Progressive Farmers" project in Basutoland (later Lesotho), and the repair of catchment dams in Bechuanaland (later Botswana) (Black 1992). It was development projects like this that earned them attention from the Charity Commission.

Organizations like Oxfam had gradually turned from fundraising for relief to organizing development projects designed to eradicate the causes of poverty. This shift in types of projects pitted Oxfam against the Charity Commission, the monitor of charitable trusts (Black 1992). The 1963 "Hunger £Million" campaign which Oxfam launched for its 21st anniversary caused its first of many clashes with the Charity Commission. The Commission raised three concerns with Oxfam's recent work: the large amounts of

money they were able to fundraise required closer scrutiny; the Oxfam advertisements did not make it clear that it used subsidiary organizations to run its projects abroad; and the “end poverty” campaigns verged onto political propaganda (Black 1992). All of a sudden—after years of running successful fundraising campaigns and in the midst of financial commitments for development projects—Oxfam found itself with the very likely possibility of being stripped of its charitable status and thus having to return some of the money it had received due to its tax-exempt status. The broader question in the dispute between Oxfam and the Commission was whether development aid—rather than relief—was an approved charitable activity (Black 1992). Two specific Oxfam projects under investigation were the building of a 24-mile road in Kenya and a small bridge across the Khubelu River in Basutoland; both projects allowed poor farmers to get to markets where they could sell their crops.

The investigation lasted a year and was finally resolved in the House of Lords in May 1964. The government agreed with Oxfam that these projects were sufficiently charitable because they were “reasonably closely connected with the relief of poor people” (Black 1992). The Charity Commission tried to rein in Oxfam and brought the limitations on charitable organizations to the surface of the political debate in the year in which the government created the first ministry for foreign aid. The dispute between Oxfam and the Charity Commission was resolved in Oxfam’s favor. The charity was able to change the ways the rules were applied (i.e., institutional drift in Mahoney and Thelen’s language (2010)). However, because the Commission’s decisions did not have the same weight as case law, Oxfam was unsuccessful at reforming the limitations

completely. The development projects in question were safe, but the laws remained unchanged. The clashes that Oxfam and the other relief and development charities continued to have with the Charity Commission during the remainder of the 20th century show just how entrenched the regulatory framework was and how hard it was to change it. Leslie Kirkley, Oxfam's Secretary, understood that gradually pushing the Commission for a more relaxed interpretation of what falls within the four established charitable uses was the only viable strategy for change and continued to negotiate with them (Black 1992). I trace the dynamics of the disputes that occurred after the creation of the first foreign aid ministry in the third section of the chapter (Trajectories of change and continuity).

Emergence of the contemporary British regime of international giving ***Colonial Legacy: Pre-Official Foreign Aid***

While the British overseas charities had made great advances in raising awareness for poverty abroad, mobilizing public support for development aid, and building a strong constituency, British official aid lagged behind the times in the early 1960s. Throughout the years since World War II, Britain had not reformed its official institutions of foreign assistance, and many of the institutions in charge of administering assistance abroad were the old colonial agencies for technical assistance. These agencies were the Department of Technical Co-operation, the Colonial Office, the Foreign Office, the Commonwealth Relations Office, the Board of Trade, and the Treasury. Of course, development aid for the colonies and dependent territories was not considered foreign aid in the sense that the term came to be used in the post-colonial period. By the early 1960s, Britain had released

control over most of its former colonies in Asia, but was still in control of many territories in Africa.

As the colonies gradually gained independence, Britain's initial intention was for them to be self-sustaining (Lancaster 2007). However, it soon became apparent that this was not the case, and the government took actions after World War II to organize the provision of more substantial aid. In the late 1950s and early 60s, Parliament passed a number of acts, which laid the foundations for the eventual creation of an independent ministry for development aid in 1964. Through these acts the government attempted to establish the responsibility Britain had towards its former colonies, and the extent of its responsibility vis-à-vis other donor countries in the growing modern foreign aid regime at the same time as it was dealing with decolonization in Africa. Through these dual movements it admitted special responsibility for its former colonies, but it also limited how far this responsibility reached and emphasized that it would work in partnership with other donor countries and international organizations. The initial parliamentary acts established three levels, or circles, of responsibility according to the relationship that Britain had with the recipient country. The highest level of "special responsibility" was for the colonial territories, the second level for the newly independent former colonies, and the last level of responsibility was for all developing countries regardless of whether they had been British colonies or not (HM Treasury 1959). Once the colonies became independent, they became eligible to receive assistance in the form of loans (rather than direct grants). And at the third level, all poor independent countries were eligible for technical assistance through arrangements in the Colombo Plan and a number of other

intergovernmental organizations. The work of the overseas charitable organizations was not mentioned in these papers. At this point the British government did not envision the relief and development work that the missionary societies and other charities were doing, and had been doing for a long time, as similar to the aid work of the government.

In 1963, the Treasury drafted another command paper, “Aid to Developing Countries.” This paper solidified the levels of responsibility towards former colonies, countries of the Commonwealth, and other developing countries. Once again, statements of special responsibility due to the colonial history were made alongside statements that pushed for this responsibility to be understood as shared among the “developed nations.” In comparison with the 1959 paper, the 1963 paper introduced in more direct way the idea that other actors had a role in the provision of development. Aid was “a task in which many of us, in one way or another, have a part to play” (HM Treasury 1963). For the first time, the role of individuals and charities was mentioned alongside the role of private investment. But the paper did not establish how they could work together; it only “acknowledge[d] the valuable help that is also given from private sources” (HM Treasury 1963). These initial acts largely ignored the work of the charitable sector, and implicitly reinforced the idea that official and private aid functioned in two different spheres.

Creation of the Ministry of Overseas Development (1964)

The UK was one of the last European countries to create a post-World War II ministry of development aid. The Netherlands set up an Interdepartmental Working Group for aid in 1949; Sweden created the Central Committee for Swedish Technical Assistance to Less Developed Areas (later SIDA) in 1952; and Norway set up its Aid Fund for Underdeveloped Countries in 1952; France, Germany and Japan followed in

1961. By 1964, the United States had built the first wave (Marshall Plan; Point Four Program; Public Law 480) and second wave (the Peace Corps; Food for Peace; Alliance for Progress) of its foreign aid institutions. By 1964 when Britain created an aid ministry both the international and British domestic contexts were very different. In the early 1960s Britain was in the midst of the decolonization of Africa following Harold Macmillan's 1960 "Wind of Change" speech. Furthermore, international thinking on development in the mid 1960s was different from what it was in the years immediately after World War II. The immediate demands on the new ministry were quite different from the demands on the first U.S. foreign aid institutions established in the wake of World War II and from those on the first Swedish foreign aid institutions established in the early 1950s. The urgent need for relief and reconstruction in Europe had been met in the two decades since the war, and the world had turned to questions of development. These changes were in part due to the work intergovernmental organizations and NGOs had done. The U.N. declared the 1960s the "Decade of Development;" President John F. Kennedy made the announcement at the General Assembly in New York City on September 25, 1961 soon after his inauguration. The eradication of poverty had become the key goal for many international organizations and national development aid programs. *Aid* was for a first time associated with *development*, and not with mere relief or with military and strategic interests (Black 1992). The U.N. campaign also established the target for industrialized countries to spend 1% of their GNP on foreign assistance (Black 1992). Other intergovernmental organizations had shifted their mission towards development as well. The World Bank had gradually turned itself from providing loans

for the reconstruction of Europe to providing loans for infrastructure and other development projects in the developing world (cite).

The domestic political context in Britain was also different. In October 1964, the Labour Party took office after more than a decade in opposition, and with Harold Wilson as Prime Minister embarked on ambitious domestic reforms in the midst of a serious balance of payments crisis (a £800 million deficit). The Cabinet increased spending in education, housing and social services. The new government also created a new Ministry of Overseas Development (ODM) making good on its electoral promise. By creating an independent ministry outside of the Foreign Office where the Department of Technical Co-operation had previously been situated, and by giving it cabinet rank the government signaled that development policy was to be somewhat independent from British strategic interests and that overseas development was to be given more importance (Seers and Streeten 1972). Barbara Castle was appointed as ODM's first minister. This was Castle's emergence from the backbenches; she had no previous experience in the area of relief and development, but she quickly took on the cause. To help her set up the ministry, she recruited staff from the former departments and agencies responsible for development aid: the Department of Technical Co-operation at the Foreign Office, the Commonwealth Relations Office, the Colonial Office, the Board of Trade, and the Treasury (Castle 1990). Key staff members at the new ministry were Sir Andrew Cohen from the

Department of Technical Cooperation who became Permanent Secretary, and Sir Dudley Seers and Paul Streeten who became heads of the Economic Planning Committee.⁶⁶

The ability of the voluntary organizations to mobilize the public for the cause of development aid and the publicity received by the 1963 conflict between Oxfam and the Charity Commission had increased the visibility of the international charitable sector and had raised awareness for the need for aid. It was not surprising that in its 1964 electoral manifesto under the section “The End of Colonialism,” subsection “The New War – On Want” the Labour Party promised to create a new ministry that would

... be responsible not only for our part in Commonwealth development but also for our work in and through the specialist agencies of the United Nations. This new Ministry will help and encourage voluntary action through those organisations that have played such an inspired part in the Freedom from Hunger campaign. We must match their enterprise with Government action to give new hope in the current United Nations Development Decade (Labour Party 1964).

The mention of the voluntary organizations in the manifesto demonstrates that they were perceived as important actors in the field of overseas assistance in Britain. However, the promise of collaboration between the new ministry and the voluntary organizations did not materialize in the process of creation of the ministry or in its subsequent work. From the very beginning, establishing the ministry became a bureaucratic battle between the previous departments in charge of aid, and Castle and her team. ODM was created at a

⁶⁶ Sir Andrew Cohen had been Director-General of the Department of Technical Co-operation. Prior to his appointment at ODM, he was Assistant Undersecretary for African Affairs at the Colonial Office (?) and Governor of Uganda (1952-57). Sir Dudley Seers became the Director General of the ODM Economic Planning Committee. Prior to that he had been director at the UN Economic Commission for Latin America (1957-63) and the UN Economic Commission for Africa (1963-64).

time of domestic and international turmoil: a possible deflation of the pound sterling, a need for cuts in government spending, the beginning of the Vietnam War, and the Rhodesia and South Africa crises. Castle was under pressure from the Treasury to keep the aid budget to a minimum, and she was also very involved in the work of the Cabinet on other matters that took her attention away from aid. The main concerns in the creation of the ministry were in-Cabinet dynamics and bureaucratic politics. These internal battles for responsibility within the cabinet did not allow for any discussion of collaboration with other aid actors to occur.

These internal Cabinet battles were reflected in the bi-polar nature of the first white paper, "Overseas Development: The Work of the New Ministry" published about six months after ODM's creation. It combined Castle's passion for development in the introduction and conclusion of the paper with a sobering lack of spending commitment in the body. The ODM Economic Planning Committee (Dudley Seers and Paul Streeten) drafted most of the paper. Castle and her team fought for a prolonged time with the Treasury and the Department of Economic Affairs on the amount of spending for development aid; the two latter departments wanted to severely limit the responsibility and the budget of the new ministry. In the end, because there was no agreement on the level of British aid that should be promised in the paper, the document was sent to parliament without specifying any expenditure figures (Castle 1990). The paper justified the lack of specification of the amount of aid with the uncertainty about the strength of the economy and the balance of payments in any given year (Ministry of Overseas Development 1965). Seers and Streeten, however, argue, that the finance difficulties were

just an excuse and the real reason for the lack of commitment was the lack of support of aid policy in the Cabinet (Seers and Streeten 1972). The absence of a precise figure truncated the vision that Castle and her staff had for the aid program and downgraded the importance of the ministry in comparison to the other ministries in the Cabinet in charge of foreign affairs (i.e., the Treasury).

Despite the lack of commitment to an aid budget, the paper was the first one to lie out in detail the motives and objectives of British foreign aid. The first section of the paper, which read strikingly different from the previous white papers on aid declared the basis of the aid program to be a “moral one”—to lift the developing world from poverty. The paper emphasized that the motive for aid was the need of developing countries, and not British diplomatic interests. It described aid as a sacrifice. The paper, however, did not break from the tradition of the previous white papers to only briefly mention the role that private contributions and voluntary organizations played in the delivery and funding of aid. The last paragraph of the first section acknowledged the recent growth of voluntary organizations, but then quickly moved on to say that “larger action is needed in the field of public policy.” The idea that charity is not up to the task of development—of the real political work that would lift countries out of poverty—is present in this text as it was present in the dispute between Oxfam and the Charity Commission from two years ago. The separation between the spheres of “mere” relief and development was introduced into the mission statement of the new ministry. Beyond the first section on the motives and objectives of aid the white paper was very similar in its language and propositions to the previous white papers written by the Treasury. Judith Hart, Minister

of Overseas Development 1969-70, 1974-75 and 1977-79, later commented on the dual nature of the ministry that this paper reflected: the new ministry had “strong resources of economic and statistical staff, and a sense of idealism” (Hart 1973). Despite Castle’s ambitions and the optimism of Labour’s electoral promise, the new ministry’s first white paper did not depart significantly from the previous state of affairs. ODM’s ambitions were pushed back.

Before ODM even began its work in earnest, two key things were established: 1) through the conflict between Oxfam and the Charity Commission immediately prior to the formation of the ministry the work of the voluntary organizations was designated to the sphere of relief and distinguished from the sphere of development; this separation of functions was also present in the first white paper of the ministry; and 2) through the Cabinet battles aid was separated from foreign policy and the work of the Foreign and Commonwealth Office (FCO) and was given less weight than was originally promised before the elections. When the issue of how the new ministry was to work with the overseas charities surfaced in 1965, there was a clear separation of the functions of government aid and the charitable sector; official foreign aid was perceived as providing assistance for development, while the charity organizations were constrained by their charitable trusts to providing relief.

Trajectories of change and continuity

Voluntary Committee on Overseas Aid and Development—First coordinating body for work with the overseas charities

In the first two years of its existence, ODM dealt primarily with carving out authority, responsibility and funding for development assistance from the other

government agencies already involved in these matters. The electoral promise to “help and encourage voluntary action” remained on the back burner. In 1965, the UN Freedom From Hunger Campaign (FFHC) was scheduled to end officially, and the voluntary organizations that had mobilized public support for it sought a way to continue their projects and development education activities they had begun with FFHC funding. With the encouragement of Barbara Castle and Andrew Cohen, Castle’s Permanent Secretary, ODM created the Voluntary Committee on Overseas Aid and Development (VCOAD) as a forum to continue the collaboration between the NGOs (OD 25/202). The VCOAD was to have three functions: coordinate appeals among the voluntary organizations to eliminate duplication of efforts, promote development education in the UK, and maintain contact between the voluntary organizations and ODM. ODM did not want to create a large organization with a complicated bureaucracy that they would have to finance, and preferred for VCOAD to remain weak (OD 10/171). The ODM representatives at the initial planning meetings were balancing very carefully their position as an observer in the new body, but also as a key actor in establishing the functions of the committee. The voluntary organizations were split on how centralized the new coordinating body should be. Oxfam wanted it to be a stronger organization that had more control over the members and also had the independence to work on promoting development on its own, as opposed to just a coordinating role (Fletcher 1965).

Initially, ODM contributed £4,000 per year to VCOAD, and this covered between one third and one fourth of the committee’s administrative costs. In 1969, the grant was increased by 50% to £6,000, which still barely covered the cost (OD 25/204). Even

though ODM paid for some of the expenses of the committee, VCOAD's main function was not to coordinate between ODM and the voluntary organizations, but rather to coordinate among the voluntary organizations. Observers from ODM were invited to sit in at VCOAD meetings, but they did not participate in the decision-making or worked with the NGOs to any significant extent. Mostly, the ODM representatives made sure that the committee did not become too powerful; they sat quietly observing and sometimes encouraging the inability of the NGOs to coordinate with each other. But they also saw their role on the committee as more central than they presented it to be. The ODM observers drafted VCOAD's objectives and principles (OD 10/174).

The idea about the work of the charitable sector being separate from the development work of government played a significant role in the creation of VCOAD, the first institution of coordination between the two sectors. ODM mostly tried to not get too involved with the charities, but also tried to prevent the Committee from becoming too strong. The voluntary organizations themselves were weary of government control, and because they were in a strong position after the FFHC success and they did not want ODM to have any power over their work either. There were no discussions at the time of government grants for the charities or co-funding projects. The two sectors worked entirely separate from each other. The VCOAD was not very successful at coordinating the work of the charities, or their work with ODM. But it was very successful in pushing for development education to be introduced in the curriculum at all stages of the education system (Black 1992).

For comparison, the U.S. federal government helped establish the equivalent umbrella organization, the Advisory Committee on Voluntary Foreign Aid (ACVFA), 22 years earlier in 1943 in the midst of the war relief effort. At the time, the U.S. government was heavily regulating the voluntary organizations engaged in relief in Europe through the President's War Relief Control Board. The Board had the regulatory power to consolidate voluntary organizations and schedule the timing and scope of public appeals for increased efficiency. The timing of the first attempt to coordinate the work of the post-war foreign aid agency and the charitable sector was important on two counts. One, during World War II the U.S. federal government could exercise stricter control over the voluntary organizations than the British government could justify two decades later in 1964. And two, the U.S. government began coordinating with the relief organizations before they had become a strong organizations with wide public support. In fact, they became a consolidated sector with the strong "encouragement" of the War Relief Control Board. Quite differently, the British government made its first effort to coordinate with the voluntary organizations soon after they had organized the very successful Freedom From Hunger campaign, and the major British relief and development organizations like Oxfam, War on Want and Save the Children had become household names. ODM tried to weaken the sector, not make it more efficient and strengthen it. This was in part because ODM did not see the charities as suitable partners in development.

Until 1975 ODM continued to engage with the voluntary organizations at this very superficial level through the VCOAD. The ministry continued to provide funding

for the administrative costs of the committee, but it did not channel any other funding through the voluntary organizations. However, this was not entirely for lack of interest from the charities. In 1969, Betty Lockwood from the National Labour Women's Advisory Committee wrote to Judith Hart, Minister of Overseas Development, and Harold Wilson, Prime Minister, suggesting a joint funding scheme similar to the ones in place in Sweden and the Netherlands (OD 25/210). This idea struck the staff at the ministry as novel and intriguing. Up to that point, the only funding ODM had given to the charities was to cover a portion of VCOAD's administrative costs. In response to the inquiry ODM researched the Swedish and Dutch schemes, held meetings and consultations, but in the end it ran up against the hard line of separation of spheres and roles of government and voluntary aid (Lockwood 1969). In 1973, Oxfam also proposed a co-funding scheme to ODM (Black 1992). The first British joint funding scheme was not established until 1975 (more on it below).

The ministry began considering serious coordination with the voluntary organizations after the Bangladesh famine of 1974, and only in the context of disaster relief (OD 62/71). As the famine was unfolding, it became clear to ODM that the voluntary organizations were already providing relief and had better access on the ground to provide assistance than the government had. As a response the Ministry established a Disaster Unit to serve as a liaison with the voluntary agencies in 1975. The Disaster Unit was the first instance of official funding channeled through the charitable sector. ODM moved towards collaborating in the field with the charities because they had more experience in working in disaster areas. The five main charities (Oxfam, Save the

Children Fund, War on Want, Christian Aid and the British Red Cross) had coordinated their efforts after the 1963 earthquake in Skopje, the 1966 earthquake in Turkey, and the 1968 earthquake in Sicily, and a number of other disasters; they had set up a stand-by emergency response team in Leeds that could be summoned much faster than the ODM machinery could react (Black 1992).

It is important to note two things. First, this initial instance of channeling funding through the charities came much later than the U.S. and Swedish governments began this practice. By the time that ODM formed the Disaster Unit the voluntary organizations had grown independently and had established a broad base of support among the British public. By 1974, many of the major British voluntary organizations in the field of relief and development had become major players not only domestically, but also internationally. They did not need government funding to provide disaster relief, but the government needed them to be able to provide its aid. The power balance between the charities and ODM was tilted in the charities favor at this point in time. And second, the area of first collaboration between the government and the charities was in relief, not development. It made sense for ODM to decline the previous requests from the charities to co-fund developing projects but collaborate with them on disaster relief: ODM staff believed that the government was the only actor capable of providing development aid and was limiting the charities' involvement in development projects thought the Charity Commission.

Joint Funding Scheme (1975)

A year later in 1975, ODM established the Joint Funding Scheme (JFS), the first co-funding scheme for development projects in Britain. The scheme allowed

nongovernmental organizations to apply for ODA funding for projects they themselves designed (Burnell 1991). The initial amount the government provided for the scheme was very small, £500,000/year (Black 1992). The charities were slow to participate initially fearing that accepting government funding would decrease their independence (Robinson 1991). And they had a well-developed fundraising operation. The JFS required NGOs to raise half of the cost through private contributions, and thus encouraged them to continue to rely heavily on contributions from the general public. The Ministry paid the other 50 percent of the cost of the project, with a possibility for renewal. The condition the government put was that the projects needed to be long-term developmental projects, as opposed to relief or educational ones (Burnell 1991). The JFS thus encouraged NGOs to privately raise the funds and carry half of the responsibility. There was also an exception in terms of the larger amount of funds channeled through NGOs for disaster relief (Robinson 1991). For comparison, in the Swedish co-funding scheme, SIDA has contributed up to 90 percent of the cost of NGO humanitarian projects, and thus has decreased the need for Swedish NGOs to fundraise from the general public.

The popularity of the JFS increased during the Thatcher governments (Burnell 1991, Mitchell 1991). In 1978, ODA began distributing a portion of the JFS funding as block grants to four organizations: Oxfam, Christian Aid, CAFOD and Save the Children. These four organizations did not have to apply for funding on a project-by-project basis, but rather received block grants and could select projects based on broad ODA criteria. These grants have since then evolved into the current Programme Partnership

Agreements. Between 1979 and 1997, ODA gradually increased the amount of money spent through the JFS. But alongside this trend, there was a sharper increase in the amount of funding charities received through bilateral desks at ODA, so that by the late 1990s ODA was channeling a smaller portion of its funding for the private sector through the JFS and a larger portion through the bilateral desks (Randel and German 1999). Bilateral desks funding for NGOs is more restrictive than the JFS and does not allow for as much input from the NGOs on the projects that get funded.

“Rolling back the state”

Until Margaret Thatcher stepped into office in 1979, the official aid budget had been growing rapidly (it had been the fastest growing area of public expenditure under ODM Minister Hart)(Mitchell 1991). Under Thatcher and ODM Minister Harry Neil Marten (1979-83), it became one of the fastest shrinking budgets (Killick 2005). And ODM was subsumed under the Foreign Office and renamed to Overseas Development Administration (ODA). Instead of increasing the rate of growth of official aid in the 1980s as all other OECD countries did, the UK decreased it—from 0.52 percent of GNP in 1979 to 0.28 percent in 1987 (See Figure 5.1) (Mitchell 1991). Thatcher also re-instated the separation between charity and politics by placing charity in the “moral” realm and outside of politics:

In a market economy, people are free to give their money and their time for good causes. They exercise their altruism on their own initiative and at their own expense, whether they give directly and personally through institutions, charities, universities, churches, hospitals. When the state steps in generosity is increasingly restricted from all sides (Filby 2011).

But even as Thatcher was “rolling back the state” both in the domestic sphere and in the provision of foreign assistance and promoted charity as a valuable provider of social

services, the laws on charitable uses did not change. As late as 1989, her government argued against reforms of the charitable uses laws and re-instated the limitations on political activities (Great Britain 1989).

During the 1980s, the conservative government promoted the domestic third sector in general as an appropriate means to provide welfare services, and many of the charities previously funded by donations became service providers funded by the government (Mold 2009). But the overseas charities did not follow the same trajectory as domestic ones. The overseas charities became more political and strengthened their attempts to influence aid policy. While the government introduced contractual funding for charities in education and other welfare services, this trend did not appear in the overseas charitable sector.

As official foreign spending decreased, the charities organized a number of campaigns to raise awareness for the need to maintain (and even increase) aid and public appeals to stop famines raging in the developing world. The major issues over which the charities and the government fought were the cuts to the aid budget and the practice of linking aid to trade (Randel and German 1999). Private contributions for foreign assistance also increased, but not by much (See Figure 5.1) (Mitchell 1991). In 1970, a number of the overseas charities (Oxfam, Christian Aid, War on Want) and think tanks (the Overseas Development Institute, the Catholic Institute for International Development) together with VCOAD formed an independent organization called the World Development Movement, which did not have a charitable status and thus could participate in political activities freely (Saunders 2009). Its main function was to push for

an understanding of poverty as a political problem that required a political decision and not charity. This strategy of establishing a separate organization was necessitated by the Charity Commission's continuously warning the charities that their political campaigns violate their charitable trusts (Saunders 2009). The first major public campaign that WDM organized was the lobby of Parliament of May 5, 1981. More than 10,000 people participated in the demonstration (Mitchell 1991). Later in the decade, WDM organized five more public campaigns against cuts in aid. Some of these campaigns were successful—as the 1985 “Famine in Africa” which coincided with the hugely popular Live Aid campaign and concert—and some of them failed at protecting aid from being cut. Through these campaigns the overseas charities changed the way through which the British public engaged with the relief and development organizations—from donating clothes and money as they had done in the 60s to putting pressure on the government to change its aid policy.

Staying power of the Charitable Trusts regulations: Second Round of Clashes with the Charity Commission

As I have traced above, British relief and development charities re-thought their role as relief providers and began engaging in development work throughout the years since World War II. This trend was a product of the logical extension of their work in the post-colonial world and the need for development they were witnessing, and the changes in international thinking on development. As the British charities shifted the focus of their work, they began violating the limits of their charitable trusts, and especially the rules on what types of projects they can sponsor overseas. As explained earlier, the Charity Commission has the power to monitor and sanction charities when they go

outside the bounds of their charitable trusts. The legislation giving power to the Charity Commission and proscribing the charitable uses was surprisingly unchanged for most of the 20th century despite the fact that the charities themselves changed how they thought about their goals and their work, and despite their multiple attempts to reform these regulations. In the 1950s and early 60s, the first round of disputes were about whether development projects (as opposed to relief) could be considered charitable, and the charities achieved some reforms in how the laws were applied even though the basic framework of the laws remained unchanged. In the 1970s and 1980s, the relief and development charities again had a number of run-ins with the Charity Commission, but in this round of disputes the issue of disagreement was whether or not the charities can participate in advocacy and other political activities (e.g., organize political campaigns, try to put pressure on the British government to raise official aid spending). The charities demonstrated their sense of independence and willingness to put up opposition even more so than in the first round of disputes. But this time around, the Charity Commission won the battle and forced them to moderate their political agendas.

Many of the charities responded to the limitations on political campaigning by establishing ancillary organization (e.g., World Development Movement, Oxfam 2000, and War on Want Campaigns Ltd), but the continued disputes with the Charity Commissions show that they continued to push to change the limitations even when they were in danger of losing their charitable status and thus their tax benefits. These violations brought them into conflict with the Charity Commission at numerous occasions. And the Commission investigated their work and threatened to repeal their

charitable status multiple times. In 1977, War on Want came under severe criticism from the Commission for their financial support of the Grunwick strikers in Willesden, North London. The Commission was increasingly concerned that War on Want is supporting radical groups and liberation movements abroad (Miller 2012). In 1978, War on Want, Oxfam and Christian Aid were investigated. In 1987, the Commission judged that Christian Aid had violated its charitable trust by engaging in political propaganda in its campaign on South Africa and ordered it to withdraw its print materials (Robinson 1991). Christian Aid complied. The most serious dispute between Oxfam and the Charity Commission occurred in 1991. The dispute came on the heels of the 1989 white paper called *Charities: A Framework For The Future*, which evaluated whether or not the government should replace the case law that had developed since 1601 with a new statutory definition of charity. The white paper agreed against such reforms and strengthened the limitations on political activities. It stated that charities may not “seek improperly to influence the policies of local or central Government either at home or abroad” (Great Britain 1989). This did not mean an outright ban on all engagement with politics, but meant strict limitations: political pressure could be exerted only if it was “auxiliary to a charitable purpose;” charities could not push Governments on policy decisions but could offer “reasoned argument and information;” and “objectivity and balance” must be maintained in educational materials (Great Britain 1989). The Commission investigated Oxfam’s activities in the campaign against the Uruguay Round of the GATT negotiations, and judged that the charity had broken its charitable trust. It did not require Oxfam to return any reclaimed taxes, but it ordered that some campaign

materials be withdrawn from the campaign (Saunders 2009). This round of clashes with the Commission scared Oxfam and the other overseas charities, and they reined in their political activities for the next decade and a half (Saunders 2009).

Reforms in the tax incentive instruments. The Charity Commission had so much power over the charities because it could take away their charitable status and the tax benefits that came with it. As I explained in detail in chapter 3, the British tax incentive for charitable giving increases the value of the donation to the charity. Through the deed of covenant since the 1920s and through Gift Aid since 1990 the British charities have reclaimed the taxes that donors have paid to the government. For the overseas charities this has been an important source of funding that even though comes from the government (it is income taxes it has forgone) it does not give it as much oversight over the work of charities as direct government grants. The reclaimed tax funding comes with serious regulations as described above, but the charities have been able to change some of them.

Not surprisingly, one of the important areas in the 1990s in which the voluntary organizations worked hard to preserve their relative strength was tax policy. The Gift Aid scheme gained popularity with donors almost immediately after it was introduced in 1990 in part because the charities pushed to simplify the deed of covenant. However, the scheme became the major form of charitable giving only after the reforms introduced by Chancellor of the Exchequer Gordon Brown in 1999 (Pharoah 2010). He proclaimed that he wanted to achieve a “democracy of giving,” and open charitable giving to lower-income donors by removing the requirement for a minimum donated amount (Brown

1999). These reforms came on the heels of an extensive consultation process with the charities and the general public that began in 1997. The British government conducted a review of the tax system for charitable giving in an effort to create an environment that is friendlier to the charities and their work. As part of this initiative, it conducted extensive consultative interviews with representatives of the charities, a survey of the general public, and focus groups with donors and employers. The result was a consultation document issued in 1999, which set up possible options for reform of the tax incentives for charitable giving. In the consultation document, the government specified its responsibility towards the charities. Its role was not to give money to the charities, but to create a culture of giving among the general public (HM Treasury 1999). One of the key goals of the consultation process was to determine ways to make donating to charities more attractive and easier for younger and/or lower-income prospective donors. As proven by the current popularity of Gift Aid, the reforms resulting from the consultation succeeded in simplifying the process of charitable giving and increased the incentives for lower-income donors by making smaller donations eligible for tax relief.

In the same consultation process, the government considered the idea of transitioning to U.S.-style incentives for charitable giving, i.e., tax deductions. The reform was proposed by a small number of charities that fundraise among high-income donors, and the government was open to considering its implications and potentially introducing a U.S.-style tax deduction as an option in addition to the existing tax instruments. The idea was dismissed in part because the number of tax payers who fill out self-assessment tax forms was very low, and in part because the charities raised serious

concerns that people will not increase their donations enough to offset the loss of income from the inability to claim tax relief on these donations (HM Treasury 1999). From the available government reports on the second round of responses received to the consultation document, it is clear that most charities expressed “real anxieties” at the possibility of shifting the benefit of donations towards donors, and lobbied hard to prevent this idea from going any further (HM Revenue and Customs 1999). Indeed, there were suggestions for charities to reclaim all of the tax paid by higher income donors, and in effect eliminate the benefit that donors receive from the higher income tax relief provision⁶⁷. This suggestion was not given much consideration at that time as it was feared that it would reduce the giving rates among high-income donors (HM Treasury 1999). Charities, however, have continued to lobby for it in successive reform discussions since then.

The Millennium Gift Aid was a “special edition” gift aid introduced in 1999 and especially designed for humanitarian and development charities. It was promoted through a major £4 million advertising campaign GIFT AID 2000 which focused on encouraging younger people (under 35 years old) to give for overseas assistance (HM Treasury 1999). This segment of the population is known as the “bucket generation:” they are very likely to make one-time donations, but they do not have an established relationship with any charity or cause as older generations have (Tylee 1999). Millennium Gift Aid functioned as the general gift aid scheme, but it had a lower minimum limit for donations (£100) that could be paid in installments, and it lasted only until 31 December 2000. Only charities

⁶⁷ I explain the higher income tax provision in Chapter 3.

working on education and anti-poverty projects in developing countries were eligible to participate in the scheme. Some of the features of the Millennium Gift Aid were later adopted by the general Gift Aid scheme.

A second consultation process on tax incentives for charitable giving occurred in 2007, and it focused on finding ways to improve Gift Aid. As a result of the consultation, the government implemented a number of reforms, with the most important decisions being the introduction of transitional relief to help charities adjust to the reduction of the income tax rate from 22% to 20% in 2008, and allowing charities to aggregate donations lower than £10 into tax relief claims up to £500 (HM Treasury 2008). The transitional relief was projected to be worth £300 million over the three years for which it was available. Once again the issue of the higher-rate tax relief for individual donors was discussed at length. And once again, charities suggested reforms ranging from eliminating the higher-tax relief for donors and giving it to the charities to taking all tax relief away from the charities and shifting it towards the donors (HM Treasury 2008). Many charities questioned whether the donor tax benefit was an incentive for higher-income donors, but all agreed that the research they have on the issue is inconclusive. The government did not make any reforms on this issue claiming that there was great uncertainty in how such reforms would change donor behavior (HM Treasury 2008). A research study done for the government established that the majority of donors would not change their giving levels if Gift Aid were reformed because they decided how much to give to charity without thinking about the tax incentives they could receive (Scharf and Smith 2009). Another Gift Aid reform that charities pushed for but did not achieve was

the ability to reclaim taxes on an accounts basis (total amount of donations received by a charity) as opposed to the current gift-by-gift basis which would have decreased the amount of paperwork charities have to do (HM Treasury 2008, Pharoah 2010).

Despite failing to achieve these reforms, the voluntary organizations were able to oppose any suggestions for eliminating the main principle of tax-efficient giving. This is in part due to the fact that the tax incentive instruments position the charities, and not the donors, as the main stakeholders of reform. The charities are a small, organized group that could lobby for the benefits that they already had. Individual donors are a large diffused group that did not have existing benefits they were trying to preserve. Moreover, the principle of tax-efficient giving is backed up by the belief that charities do good. And in part the lack of reform is due to the fact that a reform of the tax incentive instruments could not work without a major reform of the entire tax system.

Increased cooperation between the charities and the government: Department for International Development (1997)

In 1997, Labour came to power after 18 years in opposition. Just like in 1964, there was a declaration by the “New Labour” on the importance of development policy, and once more a pledge to create an independent ministry for development was made. The Blair Cabinet replaced the Overseas Development Administration (ODA) within the Foreign and Commonwealth Office with the newly created independent Department for International Development (DFID) and appointed Clare Short to lead it. In the 1997 White Paper marking the creation of DFID, “Eliminating World Poverty: A Challenge for the 21st Century,” the government explicitly promised a close collaboration between DFID and aid charities (Department for International Development 1997). The

envisioned relationship was one of partnership. This time around, this was not an empty promise. The department engaged the charitable community from the start and worked with the NGOs as partners, not as service providers. The department hired many new staff with “backgrounds in advocacy campaigns, non-governmental organizations, academia and the humanitarian sector,” and thus created a department culture that was quite different from the staff culture of the civil service in the FCO (Gulrajani 2010). The department worked intentionally on developing close ties with development NGOs in what came to be known as “reverse lobbying,” these close ties even led some to call it “the NGO in Government” (Gulrajani 2010). In that sense DFID “re-balanced” the relationship between the government and the NGOs which had gotten strained in the early 90s under the Major (Alison Evans - Director of The Overseas Development Institute 2010). This interest in partnership with the charities was not unique to DFID and the overseas sector. The trend was present in the government’s relations with the domestic charities as well. Blair’s government created the new Office of the Third Sector (OTS) to encourage closer engagement and dialogue with the non-profit organizations (Hilton and McKay 2011).

Some observers have worried about whether this cozier relationship with the government would destroy the charities’ independence and therefore also the public’s trust in them. It might be too soon to judge, but at the moment it seems like these fears might be overstated in the case of overseas charities. As I described in more detail in chapter 3, currently DFID channels only 7% of its budget through the charities. And the funding mechanisms through which the money travels to the charities are responsive

rather than contractual. One of the most important funding mechanisms is through the Programme Partnership Agreements (PPAs), which in 2013 funded about 41 UK-based civil society organizations (CSOs). Some of these CSOs were Christian Aid, CAFOD, ActionAid, Save the Children UK and Oxfam. They are referred to as “core partners” and receive unrestricted funding for long-term projects (3-6 years) (Civil Society Department 2010). The closer relationship with DFID has not brought about any radical changes either in the amount of money flowing through the charities or the funding mechanisms. The charities have been able to preserve their relative power in this relationship because for decades since the creation of the first overseas ministry they have worked relatively independently from the government (for the variety of reasons I elaborated on above) and have in this time established a support base and financial independence that has allowed them to voice criticism of the government’s aid policy and to push against the boundaries of the regulations the Charity Commission has imposed on them.

Over the years the UK development agency has been given independence in the institutional form of an independent ministry under Labour cabinets, and has been subsumed by the FCO under Conservative cabinets (Killick 2005, Gulrajani 2010). These shifts in the status of the development aid agency have then periodically linked and de-linked development aid with foreign policy objectives. An understanding of foreign aid as primarily being determined by foreign policy objectives has not held true across the entire period since 1964. The current cabinet is the first Conservative cabinet to preserve DFID’s independent status indicating that DFID has become an important fixture in British foreign assistance.

In 2006, on the recommendation of the Deakin Commission⁶⁸ Parliament passed a new *Charities Act* which gave—for the first time—a statutory definition of charity and expanded the charitable uses categories from 4 to 13 (Great Britain 2006, Alcock 2009). The new definition and uses replace all existing case law stemming from the 1601 *Statute on Charitable Uses Act*. The statutory definition of charity is: a charity is an organization that is established for wholly charitable purposes and the purposes have to benefit the community. The new expanded charitable purposes are: the prevention or relief and poverty; the advancement of education; the advancement of religion; the advancement of health or the saving of lives; the advancement of citizenship or community development; the advancement of the arts, culture, heritage or science; the advancement of amateur sport; the advancement of human rights, conflict resolution or reconciliation or the promotion of religions or racial harmony or equality and diversity; the advancement of environment protection or improvement; the relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage; the advancement of animal welfare; the promotion of the efficiency of the armed forces of the Crown, or of the efficiency of the police, fire and rescue services or ambulance services. The first charitable purpose—the prevention *or* relief of poverty—eliminates the distinction between relief and development that had existed since the 17th century. The act also created the Charity Tribunal (whose functions were later transferred to the First-tier Tribunal), which hears appeals to the Charity Commission decisions. In effect, the

⁶⁸ The Deakin Commission was charged with evaluation the relationship between the government and the third sector and its report *Meeting the Challenge of Change* is considered to be the source of New Labour's policy on the third sector (Alcock 2011).

tribunal gives the charities one more chance for their case to be heard before it is sent to the High Court (as it was previously).

Conclusion

The current seemingly harmonious relationship between DFID and the charities has not always existed; and many observers speculate that it will not last long. Indeed, prior to 1997 when DFID was created, the relationship between the government and the charities was rather tumultuous at times. The overseas charities have criticized the government's aid policy since the creation of ODM and the Charity Commission has tried to limit their political agenda. The ability of the charities to push back on these regulations was based in the nature of the institutions that were constraining them. The charities could not change the rules on what activities were considered charitable as they were backed by a long history of case law, but they could work towards changing how these rules were applied. The numerous clashes of the overseas charities with the Charity Commission on whether development projects can be considered charitable demonstrate how entrenched the regulatory framework on charitable uses was. The charities, however, did not take the separation of relief and development as something detrimental to their work. They used the idea that charity is "not enough" to shift their work into development and to build political campaigns to increase official aid spending that could make a difference.

The timing of the creation of the first modern ministry has affected the development of the relationship between the official foreign assistance sector and the charitable sector for two reasons. First, during the year after World War II the overseas charities built a strong foundation of support, which allowed them to stand up to the

British government and not rely on it to fund their operations. And second, in the mid-1960s the international community thought about foreign aid differently than in the years immediately after the War. The creation of ODM came on the heel of the UN Freedom From Hunger Campaign and in the middle of the UN Decade for Development. Timing was also important for the dynamic between the government and the charitable organizations in the New Labor change in policy towards the third sector in 1997. It is true that the vision for partnership was a keystone of government policy, but a partnership would not have been possible with a sector that had already been subservient. The findings of this chapter also have implications for the study of the broader non-profit sector in Britain. It is often assumed that the domestic non-profit sector was a “junior partner” to the state in the provision of welfare in the years after World War II. The trajectory of the overseas non-profit sector I traced above demonstrates that this was not the case with the relief and development charities. They were able to preserve their autonomy in part because the Ministry of Overseas Development was not created until much later than the first welfare state institutions.

Chapter 6 – The Swedish Regime of International Giving – Subterranean Politics

The popular wisdom about Swedish foreign assistance is that Swedes have a preference for channeling their spending on relief and development through the government (just like they have a preferences for high public social spending), and that the relief and development NGO sector is small, insignificant, and entirely dependent on government funding. The first goal of this chapter is to challenge this myth. I show that these conclusions are based on generalizations about Swedish politics and society but are not supported by the empirical record. Figure 3.6 (in chapter 3) demonstrates that private charitable giving for foreign assistance in Sweden has been as high or higher in the U.S. and Britain from 1970 to the mid-1990s, and has increased again between 2008-2010. I also show that Swedish relief and development NGOs have been able to advocate for funding mechanisms that have allowed them more autonomy than the high amount of government funding they receive might suggest.

I examine the development of the relationship of the public and private aid sectors in Sweden, and I demonstrate how the politics of public and private foreign assistance is different in Sweden from those in the U.S. and Britain. As I showed in the previous chapters, the U.S. private foreign assistance sector was reined in to serve government purposes early in its development. Despite its significant size and ability to fundraise successfully from the general public, the U.S. sector has been highly dependent on and strictly regulated by the federal government. In Britain, the private sector of foreign assistance is smaller than the one in the United States, but it has been significantly more independent from the government because in its early years after World War II it

remained separate from the governmental aid programs, and there were no major attempts to regulate it aside from the charitable trust limitations. The British regime of international giving is characterized by open criticism of official foreign aid by the British overseas charities. In Sweden, we observe a third model of the relationship between the public and private foreign assistance sectors. This model is characterized by a private sector receiving most of its funding from the government but which has also been successful at preserving its relative autonomy despite its funding dependency. This autonomy has been achieved by creating funding mechanisms that preserve NGOs' independence and by incorporating NGOs into the policymaking process as prescribed by the norm of corporatism.

The second important characteristic of the relationship between the government and the NGOs is that there *appears* to be very little conflict between them. This apparent absence of conflict manifests itself in the congruence between government and NGO activities in terms of the countries where aid is given and the types of projects that are funded (Steen 1996, 153), and the lack of open criticism between the sectors. As I discussed in the third chapter and I show below, the absence of conflict is only apparent, and what is most interesting about the relationship between the two sectors is that disagreements are resolved internally. Therefore I label the politics between the public and private sectors of foreign assistance in Sweden *subterranean*.

I argue that this variation in the level of autonomy is best explained by the timing of the first cooperative initiative between the government and the relief and development NGOs – whether this was done before, after or during the creation of the first official aid

agency. In the U.S., relief agencies were coopted to contribute their infrastructure and resources towards the relief effort during World War I. As this first partnership emerged during wartime, the U.S. government could impose heavy regulation and conditions on relief NGOs like the American Red Cross and the United War Work Campaign. Later, when the first official foreign aid program was established, PVOs had already been working as commodities distributors for the government for a number of years. In Britain, the overseas charities worked independently from the official aid program for a long time and did not enter into partnerships with the government until the late 1960s. Even then, these partnerships were very limited in nature. By that time they had already established strong public support and could afford to criticize and oppose official aid policy. In Sweden, the relief and development NGOs were not brought in to work with the government as partners once the official aid program was already set up. Rather, the NGOs were given the authority to create the first Swedish foreign assistance program. In 1952, the government established a committee with representatives of 45 major NGOs, missionary societies, trade unions, and youth groups and gave it the task of pioneering the Swedish foreign assistance program and creating public support for it. The committee was allowed to administer a mix of public and private funds for nine years until the first state agency was established in 1962.

In this chapter I show that the nature of this early partnership between the NGO community and the government in the 1950s determined how the relationship between the public and private sectors of assistance developed during the second half of the 20th century. The popular movements and missionary societies were given a seat at the table

at the very inception of Swedish aid. And that seat was real—as opposed to a pro forma seat—that allowed them to significantly shape the budding foreign aid program and ensure their own continued influence in aid policy making. The NGOs gained invaluable experience in the first decade of Swedish aid. And because the government had no previous experience in the field, the NGOs and missionary societies solidified their strong position as experts in the provision of foreign assistance. At subsequent decision-making points, they could maintain their position of power because they had become invaluable partners, and they had created broad public support for the principles of aid for which they advocated (i.e. untied and need-driven aid, high public spending of foreign assistance). They remained full-fledged partners of the government—not mere subsidiaries and/or separate actors—in the early formative decades of the Swedish regime of international giving. They continued to participate in the decision making process long after the formal institutions of corporatism were dissolved.

The second goal of this chapter is to illuminate the mostly understudied international relief and development NGO sector in Sweden. Two bodies of literature study relief and development NGOs indirectly: the comparative literature on the third/voluntary sector in OECD countries and the comparative foreign aid literature. Neither examines the unique position of relief and development NGOs. I contend that because they are located on the border of domestic and international politics, relief and development NGOs should be examined separately from non-profit organizations whose work is entirely domestic (e.g. elderly care).

There is a debate in the comparative literature on the third/voluntary sectors about whether the voluntary sectors in Sweden (and the other Scandinavian countries) are much smaller than the sectors in the rest of the OECD countries. This literature has focused on the small size (measured in terms of number of people employed, number of organizations, and financial flows) of the subsector and its high financial dependency on the government (e.g. Boli 1991 and 1992; James 1989; The Johns Hopkins Comparative Nonprofit Sector Project series 1990s). Measured by these criteria the Swedish non-profit sector is indeed an outlier compared to the sectors of other OECD countries. It is important to note, however, that these studies lump together all types of non-profit organizations. This matters for two reasons. Scandinavian countries have fewer organizations that provide welfare services domestically (e.g. health care, education, elderly care) than the U.S. for example. And these studies have examined primarily this sub-set of organizations. This focus has been motivated by the fact that Swedish social services organizations receive most of their funding from the government. One of the dominant arguments in the literature is that the expansive provision of services by the Swedish welfare state has left little need for such organizations to exist (Lundström and Svedberg 2003, 218). Or, in other words, the public sector has crowded out the NGO sector. Social services organizations are understandably closely tied to the Swedish welfare state, which has always been a darling of the comparative social policy literature. But that argument does not necessarily apply to other types of non-profit organizations.

Recent literature has challenged the arguments about the insignificance and dependence of the third sector in Scandinavian countries (Wijkstrom 2000)(Lundström

and Wijkström 1997, Wijkström 1997, Chartrand 2002). The latest wave of studies argues that the focus on the amount of services provided by the third sector relative to the amount of services provided by the government has missed the true size of the sector because it has failed to acknowledge the importance of organizations that do not provide services but are nevertheless important actors in the sector (i.e. advocacy groups, and organizations dedicated to culture, sports and other leisure activities)(Lundström and Wijkström 1995). Even in this latest literature, however, relief and development NGOs have remained in the shadows of domestic non-profit organizations. It is important to examine whether the traditional arguments about state take-over or incorporation of the non-profit sector apply to relief and development organizations. Research shows that high state provision of services has allowed for a flourishing of specialized interest organizations such as the disability movement. A similar argument can be made that the high involvement of the state in the provision of health care, education, pensions, elderly care, etc. has freed up space and resources for relief and development organizations to take advantage of the norm of active participation in social movements.

The second reason for the Swedish relief and development NGO sector to be understudied is Sweden's official foreign aid "outlier" status (i.e. high spending, untied and need-driven aid). Much of the literature on foreign assistance begins with the assumption that the relief and development NGO sector in Sweden is small and insignificant, and proceeds as though Sida is the only actor funding and providing foreign aid. If there is any mention of Swedish relief and development NGOs, it is usually to point out how highly dependent on Sida they are. In this chapter, I show that the Swedish

relief and development NGOs sector is alive and well. Table 6.1 below demonstrates that seven of the ten organizations attracting the most charitable donations in Sweden are organizations focused on relief and development abroad (Swedish Fundraising Council 2013). The relief and development sector has not been “crowded out” by official aid, and more importantly it has played a significant role in the formation and development of the official aid sector. The subsector is distinct from the rest of the third/nonprofit sector, and more importantly it has had a different trajectory of engagement with the government than the domestic social services organizations. In that sense, directly mapping preferences for high welfare state spending onto preferences for high official aid spending is not as straightforward as it might seem at first glance (Thérien and Noël 1995).

TABLE 6.1. Twenty largest fundraising organizations in Sweden in 2013 and 2012

		2013	2012
1.	Cancer Fund	409	391
2.	<i>UNICEF Sweden</i>	355	280
3.	<i>Doctors Without Borders Sweden</i>	343	272
4.	<i>Save the Children Sweden</i>	310	269
5.	<i>Swedish Red Cross</i>	253	209
6.	<i>Salvation Army</i>	233	185
7.	Heart-Lung Fund	213	196
8.	<i>SOS Children's Villages</i>	198	187
9.	Swedish Church	184	181
10.	<i>Plan Sweden</i>	155	156
11.	Children's Cancer Fund	152	156
12.	<i>Radiohjälpen</i>	150	123
13.	Greenpeace Sweden	143	132
14.	WWF Sweden	138	130
15.	<i>Läkarmissionen</i>	126	112
16.	Swedish Sea Rescue Society	121	82
17.	Stockholm City Mission	107	101
18.	<i>Children's Fund Sweden</i>	92	87
19.	<i>Amnesty</i>	86	81

20.	Swedish Society for Nature Conservation	83	75
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Funds raised from private donations in SEK millions in 2013 and 2012. Organizations with a focus on relief, development, and advocacy abroad are in *italics*. (Source: Swedish Fundraising Council)

This chapter proceeds as follows. I first give an overview of the domestic culture of compassion in the late 19th and early 20th century Sweden. I emphasize the norm of active participation in mass social movements which developed in Sweden in the late 19th century, and the role this norm has played in how Swedes perceive their responsibility and participation in the funding of foreign assistance. In the second section, I trace the creation of the first official foreign aid program in the 1950s and the role that charities and missionary societies played in setting up the guiding principles of Swedish aid. Here I emphasize the role that the norm of corporatism played in involving missionary societies and other non-profit organizations in the making of the first aid policies. In the third section of the chapter, I trace how the regime of international giving has changed over the course of the second half of the 20th century. The chapter ends with a discussion of the recently implemented tax deduction for charitable giving and its effect so far on giving for relief and development.

Domestic culture of compassion in late 19th and early 20th century Sweden

The Swedish charitable sector of the late 19th and early 20th century had three important characteristics that defined a culture of compassion characterized by mass participation and strong integration with state institutions from a very early stage. One, charities and the church worked more closely with the government in the provision of poor relief earlier in the 19th century than organizations in the U.S. and Britain did. Two,

the charitable sector was far more *centralized* than either the U.S. or the British sectors were at the time. And third, it was based on a norm of *active participation*—as distinct from monetary donations—in popular mass movements.

For most of the early and mid-19th century, charity organizations in Sweden looked very much like they did in the U.S. and Britain. Charities funded and provided poor relief, services to children such as orphanages and health care, and help for the homeless. They were organized by middle- and upper-class donors—primarily men early in the century, and women beginning in the middle of the century—who could dedicate their time and money to improve the condition of the poor. However, the charitable sector was unique in that it was deeply intertwined with the state institutions of poor relief even at this early stage prior to the advent of corporatism. Their work was integrated with the work of local state institutions in charge of poor relief. This integration was heightened when in the 1840s the legislature took away the provision of poor relief from the parish churches and made it the responsibility of local governments (Lundström and Wijkström 1997, 57). The connection between the charities and local government ran at multiple levels and further entrenched the practice of the upper classes helping the poor. At the personal level, the rich women in charge of the charities were often the wives and mothers of local statesmen; and at the institutional level, the state was providing subsidies to charities to provide targeted services even as early as 1839 (Lundström and Wijkström 1997, 58). To this day the term charity (*välgörenhet*) is associated with this 19th century tradition of wealthy donors giving their time and money to improve the lot of the poor and the less fortunate. More importantly, charities were seen as “instruments of the more

fortunate classes, used for covering up social inequalities rather than achieving equal rights and values for poor people, and thus preserving existing power structures” (Wijkström 2000, 164). And thus it is still seen as undemocratic and patronizing. The word charity is thus rarely used in discussions of the Swedish non-profit sector because it has a negative connotation (Wijkström 2000, 164).

The second important characteristic of the Swedish non-profit sector of the late 19th century was its centralization. The Society for Organization of Charity (*Föreningen för välgörenhetens ordnande*, FVO) founded in 1889 worked from Stockholm to coordinate among charities and with donors, and to smooth over conflicts with the local and central governments (Lundström and Wijkström 1997, 65). It was founded by a rich woman inspired by the work that the London Charity Organization was doing to coordinate charity efforts in England (Chartrand 2002). Many organizations also chose to form federations to strengthen their influence (Lundström and Wijkström 1995, 6). The federation of social movements is exemplified most perfectly by the labor movement and the LO (the Swedish Trade Union Confederation), but organizations in other areas also chose to form such formal associations.

The existence of a state church also contributed to the centralization of the charitable sector. Prior to the Swedish Reformation in the 16th century, the church had responsibility for charity and poor relief like in the rest of Catholic Europe. During the Reformation, when King Gustav Vasa confiscated all church property after breaking off his connections with the Pope and incorporated the church into the state, he also took on the responsibility to organize poor relief. As the Church became an institution of the

state, poor relief became state responsibility (Lundström and Wijkström 1997, 55-56).

Kahl argues that this cooperation between the secular municipal and religious institutions on poor relief was unique to Lutheran countries (Kahl 2005, 105). Thus the Church became the key state institution in charge of administering poor relief in Sweden. For most of the 19th century, local governments, the Church and private charity shared the responsibility for poor relief. This arrangement was possible because for a long time parish churches had performed administrative functions in addition to their religious functions. In 1862, the religious guidance of the parishes was separated from their administrative governance (Lundström and Wijkström 1997, 96). The church, however, preserved some key administrative functions. For example, until the 1990s the Church of Sweden maintained the official birth and death registers.

The church organized poor relief up until the mid 19th century, when new voluntary organizations of the middle and upper classes become stronger.⁶⁹ These new organizations were staffed primarily by women volunteers and focused on areas such as education and poor relief. The state introduced the first poor relief legislation, and with it increased the responsibility of the state for the provision of poor relief especially at the local level. This increase of public responsibility increased the need for resources, and led to collaboration between the voluntary organizations and the state. The state funded the provision of services, and the voluntary organizations continued to implement these services. The basis for this collaboration was the popular notion that the work of the charities and the state were complements to each other, and the practical reality that the

⁶⁹ This section draws on Lundström 1996.

government-provided relief was channeled through the strong, local Poor Relief Boards. The upper and middle class women in charge of the charities had worked closely with the local governments before the introduction of central poor relief, and often they belonged to the same social circles as the local government officials. This collaboration between local governments and voluntary organizations continued throughout the 19th century, and further blurred the boundaries of responsibility. Lundström argues that the voluntary sector of social services was never as independent from the state as many scholars have argued before, and that when in the early 20th century and with full force in the post-war period the government took over the provision of social services from the voluntary organizations and charities, they had already been collaborating with the state for years and thus did not put up much resistance (Lundström 1996).

The third characteristic of the domestic culture of compassion was the norm of active popular participation (*folkligt deltagande*) that emerged from the popular mass movements. During the second half of the 19th century, the charitable sector in Sweden transformed from one characterized by paternalistic and exclusive charities to one dominated by broad social movements. Rather than a culture of mass philanthropy based on donations like the one that developed in the U.S., a culture of *mass participation* emerged in Sweden in the late 19th century. Beginning in the 1870s, the temperance, labor and free churches popular movements grew rapidly, and by the 1920s the majority of Swedes belonged to at least one popular mass movement. The strength in numbers contributed to the ability of these organizations to influence policy at many levels of the political process. This was especially true for the labor movement, which exercised its

power through the Social Democratic party. The temperance and free churches gradually lost influence, but the labor movement continued to increase its membership and political influence through the 1960s (Lundström and Wijkström 1995, 4). These movements relied heavily on their members' active participation in meetings and governance structures. Active participation was especially important for the labor movement and its ability to exert political influence through the turbulent 1920s when Sweden was the most strike-prone country in Europe (Magnusson 2000, 233, Steinmo 2010). Active participation was different from simply donating to a charity because it demanded sustained interest and engagement in the movement. Many Swedish social movements required active participation in the form of attending meetings and voting, and are thus often considered to have been "schools of democracy" (Wijkstrom 2000, 164). Of course the mass movements were not equivalent to charities or philanthropy. However, the governance principles and the norm of active participation that originated in these movements were transplanted to other non-profit organizations such as women's groups, and farmer and consumer cooperatives. More importantly, the principles for how to engage with the government that the popular mass movements established were later institutionalized in the norm of corporatism.

Emergence of the Contemporary Swedish Regime of International Giving

Pre-official foreign aid

At the end of World War II, Sweden was in a situation very different from the other European countries. It had remained neutral during both world wars and thus had intact industries and infrastructure. During the interwar period, while other economies

suffered, Sweden's economy grew (Magnusson 2000, 162). In fact, it had benefited tremendously throughout the war because it had continued to trade iron ore and coal with all parties to the conflict. Its economy was growing, and Sweden emerged as one of the richest countries after World War II (Steinmo 2010, 46). Additionally, Sweden did not have any former colonies. It was not embroiled in any colonial independence struggles. Yet, it witnessed the tremendous poverty in the newly independent states and the need for relief and development funds. Sweden began its involvement in the emerging at the time international system of foreign assistance with modest steps through donating to intergovernmental organizations and giving out loans. In 1946, the Swedish Institute, which was in charge of distributing knowledge about Sweden abroad, set up a Department of Technical Assistance (Sellström 1999). Sweden was also one of the first contributors in July 1951 to the UN Expanded Programme of Technical Assistance (EPTA) which was financed through voluntary grants by member states (Sellström 1999). Sweden donated USD 1 million for the first 18 months, which was a modest amount compared to the other members' contributions (Heppling 1986). By 1952, Sweden had contributed a modest amount to EPTA, had provided two loans to Ethiopia immediately after World War II, and had witnessed the creation of official foreign aid agencies in the U.S. (1949) and Netherlands (1949).

While Sweden did not have a colonial legacy like Britain, it nevertheless had a history of missionary work in the Congo and Ethiopia since the 1860s (Heppling 1986, Lewin 1986). Missionary societies from the Church of Sweden and the free churches movement were active in Ethiopia up until the Italian occupation in October 1935. After

World War II, Emperor Haile Selassie invited Swedish civil servants and military advisers to help in the reconstruction of the country (Sellström 1999). Sweden gave Ethiopia loans amounting to USD 2 million to hire 200 Swedish professionals to work in post-war Ethiopia (Heppling 1986). Swedish missionaries were active in other countries in Asia and Africa, but Ethiopia was one of the biggest centers for missionary work and this special relationship later influenced the decision for Ethiopia to be one of the first two countries receiving bilateral assistance in 1953 (Heppling 1986).

Central Committee for Swedish Technical Assistance to Less Developed Areas—1952⁷⁰

In the spring of 1952, Östen Undén, Foreign Minister, and Arne Lundberg, Undersecretary of the Ministry of Foreign Affairs, discussed the need for an institution, which would develop a Swedish bilateral assistance program (Heppling 1986). They organized a committee of NGOs to develop the program, and to initiate a broad public education campaign, which was to create support for foreign aid spending among Swedes.⁷¹ The Ministry of Foreign Affairs financed the Committee (Sellström 1999). The group of NGOs met in May 1952, and Sixten Heppling—previously working in the field of development assistance at the UN—was secretary of the committee. They decided that

⁷⁰ This section draws on the memories of Sixten Heppling, Executive Secretary of the Central Committee for Swedish Technical Assistance to Less Developed Areas from 1952-61, as written in Heppling (1986). Heppling had previously served as Director of the Department of Technical Assistance in the Swedish Institute from 1946-61. After his work for the Central Committee he worked at UNDP and served as Assistant Director-General of SIDA.

⁷¹ It is important to note that in the years after World War II the Swedish state worked to “take over” the provision of social services from the voluntary and charitable organizations. But in the sphere of foreign assistance it did not do that, and in fact the state gave the responsibility to NGOs rather than using the same approach it had used in the sphere of social services.

the new committee was to be called the Central Committee for Swedish Technical Assistance to Less Developed Areas (Centralkommittén för Svenskt Tekniskt Bistånd); it soon became known as CK. In accordance with the corporatist tradition the CK consisted of representatives from all major associations and popular movements in Sweden at the time, including labor unions and the employer federation, producer and consumer cooperatives, missionary societies, youth and women's organizations, sports and recreation organizations, and the temperance movement.⁷² Axel Gjöres, involved in the powerful cooperative movement and formerly a Cabinet Minister, was elected as chairman.

The CK was intended to provide primarily technical assistance, but it expanded its authority into proposing development assistance projects as well (Sellström 1999). The Executive Board of the CK decided that Sweden would begin its bilateral assistance program in only two countries, one in Africa and one in Asia (Heppling 1986). This "prudent approach" was due on the one hand to the awareness in the CK that Sweden had no previous experience in foreign aid, and on the other hand on the lack of firm financial commitment by the Swedish government to fund the program. The government established the CK and met its administrative and education campaign costs; but there was no commitment yet on the availability of funding for foreign aid. The CK proceeded to organize and fund foreign assistance to the two countries it selected regardless of this uncertainty. It funded the development projects with funding coming from the

⁷² In the 1960s and 1970s the corporatist norm was at its height, and the model of consensus building and social partnership was applied in almost all policy areas including immigration (Lindvall and Sebring 2005, 1069).

government and from the public fundraising campaign “Sweden Helps” that it organized in 1955 and 1961 (Royal Ministry for Foreign Affairs 1964). This was the first instance of jointly using official funds and private charitable giving for development assistance. The CK existed for nine years until 1961, and it spent about USD 4 million in that time period. In his recollections of the time Heppling describes the uncertainty and ambiguity the committee and the government had of what Sweden’s role in development assistance should be. At these early stages they saw their contribution as very small, and their importance as a donor marginal. They feared that a large development aid program would “lead to complications in our relations with foreign countries and give us responsibilities of a basically political nature that we did not care for” (Heppling 1986).

The first country recipients of Swedish aid were Ethiopia and Pakistan. The CK decided on the countries based on a variety of considerations. For the country in Africa, they considered the only three independent states at the time: Ethiopia, Liberia and South Africa. Ethiopia was chosen due to the existing missionary ties mentioned above; the CK thought that this would be a good start for the new program as there were already many Swedes in Ethiopia who knew the country and its development needs. The first project in Ethiopia was the building of a college to train Ethiopian construction and building technicians. As for the choice of the country recipient in Asia, the CK examined a study on Sweden’s trade relations with countries in Asia, but decided that there were no firm recommendations for one particular country in the report. Heppling points to the CK considering this study as a sign that economic considerations played a role in the initial consideration of possible aid recipients (Heppling 1986). In the end, CK invited David

Owen, Chairman of the UN Technical Assistance Board, to recommend countries to the committee. He recommended Pakistan because it was one of the countries in the region that received little assistance. This recommendation matched the preferences of the Foreign Office, and after a consultation with the Pakistani government, the CK funded the setup of a vocational training school outside Karachi. This mechanism of aid recipient selection is in stark contrast with the mechanism employed in the U.S. and Britain, where the countries were selected first and foremost for strategic and/or special responsibility reasons. This is in part due to the fact that the CK was composed of NGOs that decided on the first programs, and they could follow the need-based aid principle more so than other countries could or wanted to. Another difference is also in how much attention the CK paid to the principles for aid recommended by the UN. The principle of following the greatest need together with the principle of consultation with international organizations continued to play an important role in the development of Swedish aid.

The assistance programs in the two countries grew gradually in the 1950s. In Ethiopia, the next projects the CK initiated were a pediatric clinic and a child nutrition program. In Pakistan, it set up two more vocational training schools, and a number of programs for family planning and birth control. Family planning and birth control became key areas of early assistance programs because they were of personal interest to Ulla Lindström, Special Minister for Development Assistance⁷³. By the late 1950s, the CK developed similar programs in Sri Lanka and Liberia.

⁷³ Ulla Lindström was appointed as special Minister for Development Assistance without portfolio in 1954 under pressure from youth and student groups for the government to devote more attention to international development (Sellström 1999: 63).

The second task the CK was charged with was to create an awareness and support for foreign aid among the Swedes. In a similar way in which they thought about building support for welfare state programs, the government worked hard to gain the support of taxpayers for this new endeavor. Some of the funds the CK received were spent on education programs, but the assumption was that the education work would be funded mainly by the NGOs participating in the CK. Heppling stated in his recollections that the goal was to create a sustained interest in the wellbeing of those abroad that goes beyond the fleeting reactions to emergency campaigns (Heppling 1986). To this effect the CK focused their efforts organizing conferences and seminars for the Swedish elites (union representatives, board members, journalists, lecturers, writers, etc.) who shape public opinion. In addition, they organized two fundraising campaigns called “Sweden Helps”—in 1955 and 1961—with the purpose of estimating public support for the issues. This was an interesting way to determine whether people would support public spending on foreign assistance by asking them to donate private funds. Official aid and charitable giving were not thought of as either/or mechanisms of funding relief and development. Rather, they were thought of as an expression of the same commitment to helping distant strangers. But in contrast to the U.S., charity was not co-opted to serve foreign policy goals. Rather, public funds and charitable donations were cofounding the programs. Two public opinion polls following the campaigns—in 1956 and 1960—demonstrated an improved level of support for foreign assistance and the work of the committee.

It was not until 1962—ten years after the CK was established—that the Swedish government disbanded the committee and created the first state agency, The Agency for

International Assistance (NIB). Heppling wrote that at that point the CK “had accomplished its pioneering task” to set the foundations for a sound foreign aid program and create public support for it (Heppling 1986).

This process of creation of the initial institution for foreign assistance is quite different from the process in the U.S. and Britain. In contrast to the two other countries’ foreign aid agencies, Sweden’s first official foreign aid agency was created with a strong involvement of the NGO sector. The Central Committee for Swedish Technical Assistance to Less Developed Areas was created in 1952, eight years earlier than the Department of Overseas Development in the UK. While in Britain the private sector of foreign assistance was brought in later, and almost as an after thought, in Sweden the private sector was given a key role in establishing the institution. The NGO sector was not brought in as a partner to already existing programs, or as a contractor to provide services, but was rather given the responsibility to evaluate what the best way to organize the new official program was. The other difference is that the committee was given the task of generating support for foreign assistance among Swedes. This is quite a different approach from the one taken in the U.S. The U.S. government promoted the public’s engagement in relief during and immediately after World War II, but it sought to channel this support towards private giving that it could use for its own purposes. While in Britain, the Ministry of Overseas Development created its first official program without much consideration for what the voluntary organizations had already been doing for decades, and in the U.S. the first official aid programs sought to co-opt the voluntary organizations, in Sweden, the voluntary organizations were allowed to design and

implement development projects co-funded by public and private funds even before the first state agency was created in 1962.

As the CK was working on establishing THE Swedish development assistance program, most of the organizations participating in the Committee were also working on their own foreign assistance campaigns. The cooperative movement and the labor unions organized a number of campaigns with the dual purpose of raising awareness and funding for foreign assistance. The Cooperative movement's "Without Frontiers" campaign raised SEK 0.5 million in 1958, and spent the funds on education projects through the International Cooperative Alliance. The two largest trade unions in Sweden—the Swedish Trade Union Confederation (Landsorganisationen, or LO) and the Swedish Confederation of Professional Employees (TCO)—raised money for trade union education in developing countries to be spent through the ICFTU⁷⁴ Solidarity fund (Sellström 1999). In 1960, LO raised SEK 7.5 million through its "LO-Help across the Borders" campaign. TCO's campaign "TCO Helps" raised SEK 1.2 million in 1959-60. Since these were strong organizations with broad memberships and there was a norm of active participation in these organizations, they were able to mobilize many more people for these causes than the traditional humanitarian aid organizations could.

Corporatism

The decision to involve the charities and missionary societies in the creation of the first official foreign assistance program stemmed from the corporatist tradition to seek consensus and involve all interested parties in the decision-making process. A commonly

⁷⁴ LO had worked closely with trade unions from developing countries at the International Confederation of Free Trade Unions since its inception in 1949 (Andersson 1986).

accepted definition of corporatism is “institutional arrangements whereby important political-economic decisions are reached via negotiation between or in consultation with peak-level representatives of employees and employers (or other interest groups and the state)” (Kenworthy 2003, 11). The key institution in Sweden enforcing this corporatist arrangement of centralized wage bargaining was the National Labor Market Board (*Arbetsmarknadsstyrelsen*, or AMS). Representatives of all labor unions—but primarily LO—and the Confederation of Swedish Employers (Svenska Arbetsgivareföreningen, or SAF) participated in this forum to reach agreements about wage increases, unemployment levels and other labor market policies such as labor retraining.

This institutional arrangement that we now think of as the quintessential characteristic of Swedish politics in the post-war period emerged in the late 1930s from a highly conflictual relationship between the labor unions and employers (Steinmo 2010). The 1920s were characterized by many industrial disputes between labor and the employers that led to multiple strikes and lock-outs (Magnusson 2000, 233). In 1938—under the threat of government action to find a legislative solution to these seemingly insurmountable disputes—the LO and SAF voluntarily signed the Saltsjöbaden Agreement (Magnusson 2000, 234). The agreement established a fundamental dispute-resolution procedure that was later augmented by a number of other agreements that institutionalized the norm of central bargaining and consensus building. The system of negotiated agreements between labor and employers that became to be known as the “Swedish Model” functioned for a number of decades in the middle of the century, but eventually broke down as the Swedish economy faced new pressures and the differences

between white-collar and blue-collar unions grew (Steinmo 2010). Since the 1970s, both the formal institutions of corporatism and the informal norms that supported it have gradually declined (Lindvall and Sebring 2005, Steinmo 2010). However, even when the formal institutions of corporatism dissolved in the 1980s, the norm of consensus and social partnership that the corporatist institutions had created lingered on (Lindvall and Sebring 2005, 1059-60). In order to capture these institutional changes scholars have begun to think about corporatism as “a method of coordinating and reaching agreements on policy changes” (Lindvall and Sebring 2005, 1059). They have thus shifted the study of corporatism from the analysis of formal institutions to the study of norms that reinforce these institutions and are also longer lasting than the formal arrangements. It is important to note that corporatism does not mean that there is lack of conflict between the involved parties or that their interests are in harmony. Indeed, the opposite is true. Corporatist institutions, however, have tried to find solutions to these problems without major disruptions to the system. This was the goal of the first agreements between employers and employees in the 1920s, not the harmonization of interests.

The corporatist tradition emerged from the wage bargaining agreements between employers’ and employees’ interest groups. However, the norm of seeking consensus and partnership influenced all policy areas even ones that did not involve coordination and cooperation between capital owners and labor unions. Foreign aid is one such policy area that does not involve the relationship between employers and employees but has embodied the norm of social partnership. Shifting the definition of corporatism away from the formal wage bargaining institutions to the norm also allows us to think about

how corporatism plays out in areas where the main stakeholders are not labor and the employers.

Since the CK and NIB were created at the height of the “Swedish Model,” the norm of seeking social consensus and involving non-state actors in important policy decisions played the key role in giving the charities and missionary societies a voice in the creation of the new program of foreign assistance. This norm of involving non-state actors in the policy making process was institutionalized in allowing—and requiring—that organizations serve on the boards of the government agencies in charge of policy implementation⁷⁵ (e.g. the Labor Market Board, set up in 1948; the Workers’ Insurance Council set up in 1902; and the National Board of Education set up in 1963) (Rothstein 1988, 236, Magnusson 2000, 253-4). The expectation that non-state actors would be consulted and taken seriously in the policy making process made it possible for the charitable organizations to participate in the CK and influence the early programs of foreign assistance. In the decades after the CK, relief and development charities continued to influence foreign aid policy and policy on the funding mechanisms which the government used to transfer money to them via their membership on the board of Sida (and its predecessor agencies) and their participation in the commissions of inquiry. The royal/government commission of inquiry and remiss procedures are the main mechanisms through which non-profit organizations are involved from the beginning of the policy making process. The commission of inquiry (*utredningar*) is a commission

⁷⁵ In Sweden, the cabinet ministries serve a policy-making role, and semi-autonomous agencies called Boards perform a policy-implementation function (Rothstein 1988, 235-6).

established by the government to study a policy issue and make a proposal. The remiss procedure allows nonprofit organizations, state agencies and businesses to submit written comments to the policy report and proposal offered by royal commissions (Lundberg 2012, 349).

First State Agencies for Foreign Assistance: Agency for International Assistance (1962) and the Swedish International Development Authority (1965)

In 1962, the government introduced the first comprehensive foreign assistance bill (Bill 100: 1962) and established the Agency for International Assistance (NIB) under the Ministry of Foreign Affairs (Kärre and Svensson 1989). Olof Palme, at the time Head of Division at the Cabinet Office, led the group charged with preparing the bill. The other two key members of the group were Earnst Michanek (later to become Secretary General of NIB and Director General of SIDA) and Lennart Klackenborg (later to become Under-Secretary of State in the Department for International Development in the Ministry of Foreign Affairs). The bill, which is now often referred to as “the bible of development assistance,” established the foundational principles of Swedish foreign assistance and set the goal of spending 1% of national income on aid. The bill, however, did not contain a strict timetable for achieving this goal, and cautioned that too fast of an increase of aid might result in loss of public support for the endeavor. The justification for Swedish aid was understood to be the “sense of moral obligation and international solidarity, and of our view on the dignity of the individual and national solidarity.” The goal of Swedish aid was envisioned to be “to put an end to starvation and destitution, to eliminate epidemic diseases and to bring down the infant death-rate” and to “assist countries to develop along the path of democracy and equality” (Royal Ministry for Foreign Affairs

1963). The bill stated a preference for multilateral assistance, but also stressed the importance of comprehensive bilateral assistance. These justifications and goals were perceived as part of Sweden's broader foreign policy of peace and neutrality.⁷⁶ In a speech at the Riksdag a year prior to the introduction of the bill, Prime Minister Tage Erlander explained why private investment in developing countries was encouraged but it could not be relied upon solely. He stated that private industry did not take on much needed large infrastructure projects such as dams and irrigation systems because they could not make a profit in those endeavors (Royal Ministry for Foreign Affairs 1962). These kinds of projects—crucial for development—were according to Erlander in the capacity and responsibility of governments. This stance on the role of business is in stark contrast to the stance in the U.S. discussion of the Point Four program, where business was seen as an equal partner with similar capacities. The distinction between aid and business remained a guiding principle well into the 1970s (Andersson 1986).

Compared to the CK, NIB was given much more funding and freedom to initiate development projects. NIB was given SEK 130 million for its first fiscal year (1962/63), more than double increase from the SEK 52 million that CK had had in the previous year (Royal Ministry for Foreign Affairs 1963). Its first annual budget was based on the

⁷⁶ Sweden has maintained a policy of neutrality since the Napoleonic Wars when it lost Finland to Russia. Since then it has not participated in armed conflicts, except in peacekeeping operations. It remained neutral during the two World Wars, but yet supplied Nazi Germany with iron ore, steel and machine parts. During the Cold War, it was officially unaligned, but fostered secret ties with the U.S. and NATO. Its policy of neutrality did not mean a policy of isolationism, and indeed Sweden was very vocal in its efforts to end the Apartheid regime in South Africa and its strong stance on disarmament. When Sweden joined the European Union in 1995 neutrality was abolished as a principle, but it technically remains unaligned.

recommendation the CK had made in the preparation of Bill 100. NIB was governed by a governing Board and an advisory Council. Per corporatism expectations, the Board was composed of representatives of the social movements (as CK was), representatives of the four major parties in parliament, and representatives of the Ministries of Foreign Affairs, Finance and Education and the Prime Minister's office (Royal Ministry for Foreign Affairs 1964). About one forth of the staff of the new agency came from the CK and the Swedish Institute's Technical Assistance department. Thus, the voluntary organizations preserved their power in decision-making on official aid distribution. Supported by popular opinion, increased funding and a sea of appeals from developing countries, NIB hastily multiplied the number of recipient countries (to 20 in 1965), projects and money spent (Andersson 1986, Sellström 1999). But NIB was short lived. A number of accusations in the Riksdag of administrative fiascos (e.g. lost fellowship applications) and mismanagement of development assistance projects (e.g. an agricultural project in Algeria was called an improvisation) brought about an inquiry into the work and structure of the agency. Only three years after NIB's creation, the government recognized that this "sprinkler" approach to assistance was impossible to administer, and reorganized NIB (Ljunggren 1968).

In July 1965, the government renamed NIB the Swedish International Development Authority (SIDA). Michanek was appointed Director General, and he commenced a new policy of tightening the number of recipients and increasing Swedish control over the projects (Sellström 1999). Ethiopia, Kenya, Tanzania, Tunisia, India, and Pakistan were designated principle recipients, to which most of Swedish technical

assistance was to be designated from then on (Andersson 1986). The government chose these countries because bilateral assistance projects were already established there (Ljunggren 1968). The new agency was more centralized, and took responsibility for the administration of all types of foreign assistance (multilateral, bilateral technical, humanitarian and financial aid) except commercial and trade assistance, which remained in the purview of the Ministry of Commerce (Royal Ministry for Foreign Affairs 1966). Representatives of the NGO community continued to sit on the Board as they had done at NIB and the CK. The Social-Democratic principles of solidarity and popular participation also continued to be guiding principles for the new organization (Cornwall 2009).

By that time, the Swedish government had committed to the endeavor of foreign aid and had set high spending goals for itself. Ulla Lindström, Minister for Development Cooperation, resigned in 1966 because she did not convince the Cabinet to allocate the 30 million dollars she had requested for the newly established SIDA. Gunnar Sträng, Minister of Finance, agreed on 10 million; his decision was based on the belief that there was not strong public support for foreign assistance, and in the wake of the September 1966 election, in which the Social Democrats performed the worst since World War II, he was not willing to risk losing any more support (Andersson 1986).

Trajectories of Change and Continuity

The process of centralization, which began in 1965, began to be overturned in the early 1970s, when SIDA began to organize aid distribution on the principle of country programming. Up until that time, assistance was given for specific projects in a country, and if that project was rejected, the funds were channeled to another country. This concentration of power in the hands of SIDA at the expense of recipient countries

gradually became perceived as problematic. Country programming—suggested by the UNDP Jackson Report of 1969—encouraged aid donors to commit assistance to country recipients for a number of years as to shift the relationship in favor of the recipient, and to give it more certainty as to the amount of aid it could expect to receive (Edgren 1968, Ljunggren 1968).

Swedish Agency for International Technical and Economic Co-operation (BITS)—1975

Major changes of government occurred in 1976 when the Social Democrats lost power after 30 years (1946-76) in office, and in 1982, when the Social Democrats won power again. However, these events did not change the level or type of official assistance dramatically. Funds continued to be given to the same (socialist-leaning) countries after 1976; and the commercial elements introduced by the Centre Party were preserved by the new Social Democratic government after 1982 (Edgren 1968). One of the important changes that the Centre Party introduced was the creation of two new agencies: the Swedish Agency for International Technical and Economic Co-operation (BITS), established in 1975 and functioning fully in 1979, and the Swedish Fund for Industrial Cooperation with Developing Countries (SWEDFUND), established in 1978. It was designed to distribute official development funds through programs in line with Swedish economic interests. The government created the agencies in an effort to increase Swedish firms' investment in developing countries. Since one of the long-standing principles of aid was its "purity" of motives (i.e. it was not to be guided by Sweden's economic interests), it was hard to incorporate these new programs into the work of SIDA, and therefore these less "altruistic" assistance tools were separated into their own agencies

(Jacoby 1986). By the mid-80s, BITS was administering projects in eighteen countries. But despite the support from business that the new programs met their work was always limited by the persistent belief that aid should not be driven by economic interests (Jacoby 1986). The main explanation for the separation of aid and industry in the early years of official assistance is that at that in the 50s and early 60s Swedish industry did not have existing interests in the developing countries, and was indeed doing very well even without these markets (Andersson 1986).

Work with Swedish NGOs. NGOs continued to sit on SIDA's board and participate in the decision making process through these years. They also became more involved in spending official aid. One area in which Sida (and its predecessor SIDA) has worked consistently with the Swedish NGO sector is emergency relief. In the 1980s, SIDA channeled all of its NGO emergency aid to old experienced organizations such as the Swedish Red Cross, the Lutheran World Federation, the Lutheran Church, the Save the Children Foundation, Diakonia, and the Swedish Evangelical Mission (Bondestam 1968, Lewin 1986). This has been a fairly stable pattern. It took the British government many years to reach the conclusion that NGOs are more efficient at distributing emergency relief. Between 1976 and 1986, the amount of official funding for aid channeled through NGOs almost tripled in real terms in Sweden (Lewin 1986). The Framework Agreements programs was introduced, and now it is the main mechanism for channeling official funding to the NGO community.

Swedish NGOs have been able to mobilize large numbers of people and put significant pressure on the government to continue to spend generously on foreign aid

throughout the years because the major broad-base organizations have been deeply involved since the inception of the aid regime. Organizations like the Social Democratic Youth League, the National Federation of Social Democratic Women, and the Swedish Association of Christian Social Democrats form an “aid constituency” that is much stronger than the specialized development and relief NGOs who administer funds received from Sida could on their own (Kärre and Svensson 1989). These broad-base organizations were able to exert strong influence on the Swedish government and SIDA in particular during the protests against Apartheid, and they were able to prevent a decrease of the aid budget proposed in 1984.

One of the key factors given as an example for the weakness of the NGO sector vis-à-vis Sida is that they depend almost entirely on Sida for funding. As I explained in the third chapter, however, Swedish relief and development NGOs have been able to maintain a surprising level of independence because of the funding mechanisms in place that allow them to do so. What are these mechanisms that allowed NGOs to remain autonomous despite their strong financial dependence on Sida? Relief and development NGOs could remain fairly independent from Sida despite their financial dependence on the agency because Sida does not directly review and approve NGO project proposals. Rather than applying for funding to Sida, NGOs apply to a number of frame-organizations that have agreements with Sida to review proposals and oversee NGOs. Currently 15 organizations have framework agreements with Sida. Forum Syd, established in 1995, is the biggest independent frame-organization serving as an intermediary between Sida and the NGO community. It currently works with 200

Swedish NGOs. This funding arrangement functions as a buffer between Sida and the NGOs. Even though Forum Syd enforces Sida's policies and requirements in its approval and monitoring of relief and development projects, it does so with a less heavy hand. This also means that conflicts between Sida and the NGOs were negotiated in less conflictual contexts. Solutions to these conflicts are found through intermediaries such as Forum Syd.⁷⁷ The second characteristic of the funding arrangement that decreases Sida control is the multi-year length of the funding contracts. Not having to apply for funding every year increases NGOs' freedom from being micromanaged. And also allows time for conflicts to be resolved gradually. NGOs have time to negotiate rather than fear losing their funding if they do not comply immediately.

The Foundation Vi Planterar Träd⁷⁸ (known as Vi Skogen, or ViS for short) is an example of an organization able to resist Sida's influence in its operations. Vi Skogen is an organization dedicated to preventing deforestation in east Africa. Their first project was planting trees in the West Pokot region of Kenya in 1983 to prevent deforestation and soil erosion. The funding for the first project was raised from individual donors readers of the Vi Magazine. ViS has always received a significant portion of its funding from SIDA (and later Sida), but it was also very successful at fundraising from Swedish donors. Currently ViS receives government funding through Sida grants, but it also has 30,000 annual donors and a large number of one-time donations (Johansson, Elgström et al. 2010) p. 376. It encourages people to make donations for tree plantings as gifts and

⁷⁷ Chartrand (2002) suggests that this funding arrangement resembles a cartel rather than a competition for funding.

⁷⁸ Also called Vi Agroforestry in English.

memorials (similar to Heifer International's gift initiative) (Johansson, Elgström et al. 2010, 376). In 2012, it raised close to SEK 42 million (USD 6.2 million) from Swedish donors (Vi Skogen 2012). In recent years only 21% of its budget is covered by Sida grants, and the rest comes from a combination of fundraising (67%) and other income (12%). In its early years, however, ViS relied much more on Sida.

In those early years ViS had a conflictual relationship with the government agency. Some of the issues of the conflict were ViS' refusal to involve local partners in their decision-making process, their practice of employing paid labor in aid recipient countries, and their choice to plant trees in areas that were seen unfit to sustain the existence of forests (Johansson, Elgström et al. 2010, 378). The first two issues were in direct conflict with official Sida policy of recipient participation, and the last issue was one of inefficient and unsustainable use of resources (Cornwall 2009, 8). Some of the criticisms ViS received were as basic as lack of knowledge about the problem ViS was trying to solve and the From 1981 to 2000 Sida carried out seven assessments of ViS' operations and issued recommendations to bring these problems in line with Sida policy (after 1995 Forum Syd took over the implementation of the reports). Initially, ViS resisted these changes and continued to plant trees in unsuitable areas, hire local labor and make all decisions in Stockholm without input from the aid recipients. Despite these disagreements Sida continued to fund ViS. One of the reasons for the continued support was the popular public support that ViS had in Sweden (Johansson, Elgström et al. 2010, 381). The organization did not think of the support they had only in terms of monetary contributions they received, but also—and even more importantly—in terms of the

number of people that subscribed to their main publication, Vi Magazine (ViM).

Another important factor in this process of conflict resolution was Sida's norm of "conflict avoidance" (Johansson, Elgström et al. 2010, 382). Mirroring Sida's policy of involving local partners in the decision-making process is their "tacit norm [...] to avoid exploiting its advantage as a donor" (Johansson, Elgström et al. 2010, 382). Sida has advocated for and practices "aid on the conditions of the recipient" since the very beginning of the agency in 1965 (Cornwall 2009, 8). By 2000, however, ViS had gradually aligned its operations with Sida's requirements and official policy. This process of conflict resolution shows that disputes between NGOs and Sida are dealt with subterraneanly, before they even become major conflicts.

How has the relationship between the NGOs and Sida changed over time? Over time the formal institutions of corporatism declined. The most important transformation was the weakening of the unions and the dissolution of the formal mechanisms of wage negotiations. These changing principles were reflected in the relationship between Sida and the relief and development NGOs. The Sida governing board was reformed a number of times in the last decades and it no longer contains representatives of the NGOs. However, the norm of giving NGOs autonomy and avoiding direct conflict has lived on and has been reinforced by the responsive funding mechanisms I described in Chapter 3. What is evident in the Vi Skogen story is the attempt of Sida and the NGO to "find common ground" in their understanding of what development projects should achieve and how they should achieve it (Lindvall and Sebring 2005, 1060).

Swedish International Development Cooperation Agency (Sida)—1995

In 1995, the government further centralized the administration of foreign assistance, and it combined SIDA, BITS and a number of other agencies into one agency, the Swedish International Development Cooperation Agency (Sida). Sida initially continued to work according to the principles of aid established in the previous decades. The five goals that Sida has had for development assistance since the 1978 aid bill are: economic growth; economic and social equality; economic and political independence; democratic development; and (added later in the 1990s) environmental quality (Kärre and Svensson 1989, Lewis and Sobhan 1999, 121). NGOs applying for Sida funding had to show that their projects work towards the achievement of these goals and also work on raising public awareness of their work and development assistance in Sweden (Lewis and Sobhan 1999, 121).⁷⁹ NGOs were then free to spend the money as they wished without any further monitoring or management from Sida (Lewis and Sobhan 1999, 123, 125). Allowing NGOs to spend the money as they wish is not just a lofty aspiration; it is practiced. For example, in the mid-1990s the Bangladeshi NGO Prodiapon received Sida funding for the same project through the umbrella organization Diakonia, through the Swedish NGO Swedish Swallows, and through Help the Children Sweden without neither Sida or the NGOs knowing about this (Lewis and Sobhan 1999, 124). This might

⁷⁹ The requirement for promoting the importance of development assistance at home has been one of the long-standing goals of Sida since the inception of the foreign aid program in 1952. "...provides a way of stimulating people's interest in development issues in Sweden. This should increase public awareness of international development trends, of the role of development cooperation, and of how worldwide changes may influence Swedish society" (Lewis and Sobhan 1999, 121).

be an example of inefficient tripling of effort, but it also shows that Sida does not have a tight grip on relief and development NGOs.

For most of the 1990s, Sida required NGOs to raise 20% of the cost of the project for which they applied for funding. (This was the highest percent of NGO contribution Sida has had; for most of the years the requirement has been 10%. The low minimum contribution—in combination with the fact that Sida gives block grants to umbrella organizations like Forum Syd—has meant that smaller NGOs have a chance of receiving funding for their projects and that NGOs with bigger budgets can plan and execute expensive projects.)

There was not much change in how Sida (as compared to SIDA) engaged with the relief and development NGOs. This is surprising given the already advanced at that time dissolution of the rest of the corporatist institutions; by 1995 the Confederation of Swedish Employers had withdrawn from the governing boards of the main government agencies (Lindvall and Sebring 2005, 1061). The norm to include NGOs in the decision-making process was in part produced by the fact that this corporatist institution did not represent employer and employee interests (like the wage bargaining institutions). In line with the Swedish corporatism tradition, Swedish NGOs were represented on Sida's Board of Directors at the creation of the agency in 1995 (Smillie and Filewod 1993). In the following decade, this key corporatists institution was reformed as part of the broader dissolution of corporatist norms and institutions, and the relief and development NGOs lost their direct line of influencing Sida's decisions. In 2008, the government replaced Sida's Board with an Advisory Council. And in 2010, it replaced the Advisory Council

with a 7-member Governing Board. The current governing board does not have representatives of the relief and development NGOs or any other civil society representatives. It does have two representatives from industry. These reforms were part of the broader trend of decline of corporatism, and in particular the decline of influence of the governing boards which included representatives from civil society. Even after the dissolution of the formal institutions of corporatism, however, aid and development NGOs have preserved some of their power to influence foreign aid policy decision-making. NGOs still have some avenues for affecting foreign aid policy. Most formally, Sida's Director General meets with the NGOs holding framework agreements twice a year. There are multiple informal channels as well.

Tax Deduction for Charitable Giving (2012)

Until 2012, Sweden was one of only three countries in the OECD that did not offer tax benefits for charitable giving to donors (Roodman and Standley 2006)⁸⁰. There have been four failed attempts to introduce such benefits in 1956, 1979, 1991, 1993 and 2009. The major argument raised against the propositions has been that these benefits would give advantage to some causes more than to others, and do so in an undemocratic way. (As the discussion on the different effects the U.S. tax inducements have on different charitable organizations in Chapter 4 made it clear, the deduction for charitable contributions has exactly the effect that Swedish policymakers are trying to avoid). The fear in Sweden is that mainstream causes that already have many resources are going to receive even more attention at the cost of marginal causes (Vamstad). After the multiple failed attempts, the Swedish Parliament passed the Act on Tax Credits for Gifts in 2012.

⁸⁰ The other two are Finland and Austria.

It introduced a modest tax deduction for charitable giving (*skatteavdrag för gåvor*).

Now for the first time since 1945 Swedes can deduct charitable donations from their taxes. A tax deduction for charitable giving to international relief charities existed briefly from 1944-45, but was not continued after the end of relief efforts in Europe (Sjöblom 2009, 11). A royal commission of inquiry (*utredningar*) was established in 2009 to study the issue and make a policy proposal.⁸¹ The Christian Democrats spearheaded the proposal as part of a broader move of the current center-right Alliance government to lower taxes across the board. The Social Democrats opposed the deduction. The main arguments they gave against the deduction is that non-profit organizations should not be left to the support of philanthropy but rather should have broad societal support (Rehnfeldt 2013, 8). They also pointed to the danger of increased support from donors leading to a few individuals controlling the work of nonprofit organizations.

Individual taxpayers can deduct from their taxes 25% of their donations to aid organizations. There are strict requirements for the size of the donations and the organizations that receive them. The deductible donations have to be at least 200 SEK per gift (about 30.7 USD)⁸², and the individual must donate at least 2,000 SEK per year (307 USD)⁸³. The maximum allowed deduction is 1,500 SEK (230 USD) per year per person. The deduction applies only to organizations that provide relief work among the needy or promote scientific research (Sjöblom 2009, 42), and therefore gifts to some nonprofit organizations are excluded. For example, organizations whose primary focus is art,

⁸¹ The relief and development actors who submitted consultations were Sida, Forum Syd, Save the Children, The Red Cross,

⁸² 1 USD = 6.513 SEK in 2013 (OECD).

⁸³ Average after-tax monthly salary is 20,383 SEK (3261 USD).

culture or sports cannot apply for the status of *gåvomottagare* (gift receivers), and donations to such organizations are not tax deductible (Barkman 2012). The decision on which organizations were going to be eligible has caused some anxiety among Swedish nonprofit organizations. The Swedish Tax Agency is in charge of approving organizations to receive the *gåvomottagare* status; organizations need to apply for this distinction even if they are already registered as *ideell förening*, *stiftelse* or *registrerat trossamfund* (the three types of non-profit organizations). There is an initial application fee of 17,000 SEK (2,610 USD) and an annual fee of 7,000 SEK (1075 USD) thereafter to maintain the status (Barkman 2012). In 2014, there are 66 approved organizations.

Initial data for 2012, the first year in which the tax deduction was in force, shows that only 200 000 people (2.6% of the population) took advantage of the deduction (Svenska Dagbladet 22 March 2014). In 2013, there was a 36% increase in charitable giving – 760 000 people gave 1.3 billion SEK to approved organizations (Svenska Dagbladet 28 March 2014). At this point there is no data available as to what organizations have received the most of the deducted gifts. But since arts, culture and sports organizations are not eligible for deductible gifts, the new deduction does not benefit charities traditionally favored by the rich as the U.S. charitable deduction does. Indeed, organizations that provide relief to the poor are the main target of the deduction, and relief and development NGOs meet this requirement. While the initial tax deduction was very limited and the number and type of eligible organizations was also limited, the rules have opened up in just the first two years, and it is expected that the number and type of organizations eligible for deductible gifts will increase. In 2014, taxpayers will be

able to deduct in kind gifts in addition to monetary contributions (Flores 2014). In contrast to the U.S. and British tax incentives for giving, the Swedish deduction is not tied to the tax rate of the donor. The deduction is geared towards people who can afford to donate at least 2,000 SEK per year (307 USD), but it does not disproportionately benefit wealthy taxpayers as there is a maximum amount of annual giving eligible for the deduction (6,000 SEK; 921 USD), and all taxpayers can receive the maximum deduction of 1,500 SEK (230 USD).

Conclusion

The Swedish relief and development NGO sector is alive and well. The common wisdom that the sector has been squeezed out by official aid and that the Swedes prefer to give for foreign assistance through the government rather than NGOs does not hold water when we look more deeply into the how the sector works, its size relative to the entire charitable sector in Sweden, and its ability to fundraise large amounts from the general public. Rather than being crowded out, the relief and development sector has benefited from the expansive welfare state funding. The provision of welfare state services has freed up resources that can be dedicated for the care of those abroad.

In this chapter I have also tried to show that the relationship between Sida and the Swedish NGOs is not without conflict as some argue (Chartrand 2002). Rather, the corporatist legacy and the current funding arrangements work to submerge conflict beneath the surface and to seek for solutions to potential conflicts in diffused ways.

There is wide public support of government spending for foreign assistance. Relief and development NGOs have worked on raising public awareness for development since the inception of the official aid program in 1952, and Sida requires them to continue

these efforts if they are to receive Sida grants. Both the NGOs and Sida have therefore worked to create a development constituency. This is not a “mass giving” constituency, however, as U.S. NGOs have tried to build, but is rather one of “mass participation.”

Even though the NGOs receive a high percentage of their funding from the government, they are hardly mere subsidiaries of Sida. Indeed, they have been able—in part due to their participation on the governing boards of the aid agencies up until 2008 and their strong public support—to influence the manner in which foreign assistance is given.

The Swedish case demonstrates that foreign aid agencies do not necessarily see it as their main goal to promote the country’s strategic interests. This is just one of the options. They can choose to “prioritize [their] policy of NGO integrity, accountability of the NGO funds or to keep NGO operations in accordance with predominant aid ideology” (Johansson, Elgström et al. 2010, 376).

Chapter 7. Conclusion

In the last week of April 2015, the news alternated between the protests in Baltimore and the earthquake in Nepal. After the initial sensational reports the media coverage turned to a discussion of who is responsible for fixing—and preventing—such crises. The flurry of appeals for donations to humanitarian NGOs providing relief in Nepal and the calls for providing better services for low-income people in U.S. cities revealed a complex web of individual and social responsibilities. Are we responsible to save the lives of distant strangers struck by a natural disaster halfway across the world? Are we responsible for people living in dire poverty in our own country? Both? Neither? What are the roles of governments and NGOs in such situations?

Philosophers like Peter Singer (1972, 2009) have discussed the ethics of such situations. They have argued for expanding the boundaries of our communities and moral responsibilities. But these are not purely philosophical questions. Every action that people across the world made in response to these two crises in April—whether it was to make a donation to Save the Children, go to a protest, write a letter to their representative demanding police reforms or foreign aid for Nepal, or take the time to read about the underlying causes of the crises—was embedded in a web of particular social and political institutions. Donating \$10 for relief in Nepal may be an expression of the same compassionate impulse to help a person who has lost their house, but that donation does different work depending on where it is given. In the U.K., Save the Children can claim an additional 20% of that donation from the government (the income taxes paid by the donor) and therefore provide even more relief for that \$10. In the U.S., the donor may or

may not receive a tax benefit at the end of the year depending on whether they itemize their tax return, and may or may not be encouraged to give more knowing about the tax break. The country branches of Save the Children are able to do different things with the donations they receive as well. In the U.S., relief and development NGOs are much more regulated by USAID in terms of where they can provide relief and what types of projects they can fund. In the UK, overseas charities have a little more freedom. And lastly, governments can—and do—interpret differently the donations their citizens make for disasters abroad. The Swedish government has consistently interpreted the charitable donations to relief and development causes as Swedes make as support for foreign assistance and have consistently spent generously on official foreign aid. In the U.S., the high level of donations is often interpreted as a preference for channeling compassion through private spending and therefore as a reason not to increase public spending on foreign aid.

In this project, I present a theoretical framework for understanding these differences. I propose thinking about the relationship between the public and private sectors of foreign assistance as a *regime of international giving*. I argue that the donations people make in response to crises abroad like the earthquake in Nepal and the official aid governments provide are intricately linked in ways that go deeper than the correlation between levels of spending. I argue that the spending patterns are only one expression of a deeper variation on the relationship between public and private foreign assistance. In all donor countries the public and private sectors of foreign aid are crucially linked; however, the form of the linkages – such as funding levels and autonomy of action –

varies widely. For example, in the United States, despite its significant size and ability to fundraise successfully from the general public, the private sector has been highly dependent on and strictly regulated by the federal government. The U.S. private foreign assistance sector was reined in to serve government purposes early in its development, and regulatory and funding mechanisms have preserved this power balance. In Britain, the private sector of foreign assistance is smaller than the one in the United States, but it has been significantly more independent from the government because in its early years after World War II it remained separate from the official aid programs, and there were no major attempts to regulate it aside from the charitable trust limitations. The British relationship between the two sectors is characterized by open criticism of official foreign aid by the overseas charities. And in Sweden, relief and development NGOs although dependent on the government for funds, have a surprisingly autonomous role. In Sweden, we observe a third model of the relationship between the two sectors. This model is characterized by a private sector receiving most of its funding from the government but which has also been successful at preserving its relative autonomy despite its funding dependency. This autonomy has been achieved by creating funding mechanisms that preserve NGOs' independence and by incorporating NGOs into the policymaking process as prescribed by the norm of corporatism.

I also make two sub-arguments: about the ability of tax deductions to incentivize giving for relief and development abroad and about the strength of the relief and development NGO sector in Sweden. The first argument is that the existing literature on tax incentives is exaggerating the effects that taxes have on charitable giving for causes

abroad. Most of the literature on the U.S. focuses on the existence of the deduction for charitable giving and discusses it as though it exists outside of the very complex U.S. tax code. Equally important for understanding the effects of the tax incentive is the standard tax deduction, which makes the tax incentive useless for non-itemizers (70% of Americans)(Waters Lindsey 2003, 1083).⁸⁴ Throughout the chapters I show that the *design* of the tax deduction for charitable giving—and in particular who can take advantage of it—matters for the kind of donors it benefits and that in turn matters for the types of charities it benefit the most. The U.S. charitable giving tax deduction is used primarily by upper-income donors who make large, planned donations. Museums, hospitals, and universities are the main beneficiaries from such charitable giving. Around 70% of U.S. taxpayers cannot take advantage of this tax incentive. Relief and development NGOs rely primarily on small, impulse donations in response to crises such as the earthquake in Nepal. The charitable tax deduction benefits them much less than it benefits other non-profits like universities and hospitals. In contrast, GiftAid, the British tax incentive for charitable giving, can be used by all donors paying taxes and all charities. Correspondingly, in Britain we see a greater share of the total amount donated to charity going to overseas charities. This argument should be tested on other OECD countries, and can be a useful contribution to the research program on the effects of tax policy on non-profit organizations. Additionally, the recently introduced tax incentive in Sweden can serve as a natural experiment testing how much of charitable donations are driven by tax incentives versus compassion.

⁸⁴ One-third of charitable giving is done by non-itemizers (Waters Lindsey 2003, 1083).

The second sub-argument is that the Swedish sector of private foreign assistance is not non-existent. Indeed, when we examine Swedish charitable giving for foreign aid in the context of other charitable giving categories (e.g., arts, medical research), the Swedes appear to care as much—if not more—about distant strangers as Americans or the British. I show that relief and development NGOs dominate the third sector in Sweden contrary the common understanding that they are unable and do not need to fundraise because of the availability of generous Sida funding.

Both of these sub-arguments speak to the question of how we measure compassion. There is politics in how researchers count and categorize the streams of donations. In addition to thinking about giving for relief and development as a share of GNI, we have to consider it also as a share of total charitable giving. We have to look at the donated amounts in relation to how much is being spent on other things. A commitment to development or poverty eradication abroad can be measured only in relation to how much we spend on other things such as the arts and culture, education or the environment.

Contributions

My dissertation makes two key contributions: it theorizes the relationship between the public and private sectors of foreign assistance as a *regime of international giving*, and it explains the variation we observe on it as grounded in the historical development of domestic foreign aid institutions. I argue that domestic norms and beliefs about the role of charity at the time that countries created their official foreign aid agencies in the wake of World War II have deeply shaped their contemporary foreign aid regimes. These norms about the role of charity were institutionalized in a number of funding and

regulatory institutions that defined how the official development agencies and the relief and development NGOs have worked with each other. As I argued in the empirical chapters, the regimes of international giving are path-dependent. Domestic-level factors have determined how the regimes have developed and how they have responded to international pressures. An important implication of this finding is that future changes in the relationship between the public and private sectors of each country are bounded within a range of possibilities. I thus contribute to the development of the historical institutionalist approach in the field of IR, especially its application to the study of patterns of change and continuity. My analysis of the path-dependent evolution of the foreign aid regimes advances our understanding of the conditions under which ideas get embedded in institutions, and how institutions create mechanisms that reproduce these ideas.

By moving away from the analysis of spending levels on foreign assistance and towards an analysis a broader set of policies, I can theorize the politics between the two sectors of assistance. Rather than taking the level of donations as a simple expression of compassion, I can discuss the preferences and choices of a variety of actors and the constraints under which they make those choices. Do NGOs prefer to work closely with the government or remain autonomous? Do they prefer to spend money on fundraising campaigns or lose some autonomy in exchange for a government grant? Is there a donor base available to donate like there was in the U.S. after World War II, or are people barely surviving like in in Britain immediately after the war? Etc.

This study also contributes to the broader literature on the third sector. Much of the literature on NGOs does not distinguish between domestic- and foreign-oriented NGOs and makes arguments about relief and development NGOs based on studies of the broader third sector. I demonstrate that the relief and development NGOs while part of a country's third sectors are also a special subset. In addition to being subject to all non-profit regulations, they are under scrutiny from the development agencies and foreign affairs and defense ministries because they carry out activities abroad. This study demonstrates that it is hard to lump the relief and development sector together with the broader domestic non-profit sector. The British case demonstrates that the overseas charities have been in much opposition to the government and have not behaved as a "junior partner" as domestic charities have in the provision of welfare services. In Sweden, relief and development charities have more autonomy than we might expect them to have if we do not differentiate them from the broader Swedish third sector.

My dissertation also contributes to the understanding of the domestic sources of variation of relief and development INGO behavior. Sarah Stroup (2012) argues that the domestic political and social contexts in which INGOs like Oxfam originate affect the way they act on the international sphere. My dissertation makes Stroup's key independent variable, the political and social domestic-level institutions that determine INGO behavior, a dependent variable. I provide an explanation how these contemporary institutional context that I name regimes of international giving have developed from an early culture of compassion over the course of the 20th century.

Application to other donors

In my dissertation, I analyze the regimes of international giving of three of the oldest donors of foreign assistance, the United States, Britain and Sweden. While the specific argument about the development of the regimes of international giving in these three countries is generalizable mainly to other European donors who created their foreign aid regimes in the wake of World War II, the insight of understanding the relationship between the public and private sectors of foreign assistance as a regime of international giving has a wider application. As the formerly poor recipients of aid—China, India, and countries in the Middle East—have developed the capacity to give aid both publicly and privately some academic attention has been directed to their official assistance programs. These countries have rich traditions of domestic and international philanthropy that work with and alongside official agencies. They are developing their foreign aid programs at a time when there is already a rich tapestry of international institutions regulating foreign assistance, which was not the case when the European donors created their foreign aid agencies.

Implications

My findings are also relevant for the policy world. Millions of people in wars and disaster-stricken areas rely on foreign assistance for their survival. Recipients of aid rarely can distinguish between official and private sources of aid; a pound of rice or a mosquito net is perceived as coming from Britain or the United States regardless of whether it is delivered by an NGO or an official aid agency. This is in part due to the fact that in the context of disaster and/or deep poverty who has paid for the pound of rice does not matter to the recipient. But also, the two funding streams have been so intricately

intertwined that it is often impossible to segregate them. Reliance on private sources of funding is less restrictive in how it can be used, but is also more volatile. NGOs and faith-based foundations can raise large amounts of money at times of emergencies, but very few of them are successful in making one-time givers into habitual donors (Altinger and Tortella 2007). On the other hand, reliance on official funding sources is less volatile, but also less flexible. In times of austerity, policymakers often advocate for cuts in public spending on foreign assistance and tout private spending as a more efficient substitute. I show that official foreign aid and charitable giving are not functional equivalents. In other words, we cannot argue that Swedes have substituted their private contributions for more official aid, while Americans have done the opposite. The two streams of funding are not seen as performing the same functions in all three cases. In Britain, there is a clear separation of the functions of government aid and charity giving; official foreign aid was since the beginning perceived as providing assistance for development, while the charity organizations were constrained by their charitable trusts to providing relief. Showing that there are other possible ways to think about this relationship, reveals the politics of calling official aid and charitable giving functional equivalents. More importantly, I show that because the spending patterns are the product of a path-dependent set of relationships between state agencies, NGOs and individual donors, spending cuts in official aid rarely result in a shift towards more private spending. Rather, they result in less overall funding for foreign assistance.

In the past decade, almost all development agencies have announced new partnership initiatives. Partnership has become the new buzzword in development. My

research shows that what it means to be a partner in development differs significantly from country to country. I have suggested here that in addition to examining the financial flows between development agencies and NGOs to determine whether NGOs are partners or subcontractors, we should also analyze the design of the funding mechanisms (e.g. responsive vs. contractual; multi-year vs. short-term) and any other regulatory mechanisms (e.g. tax status) that might structure the relationship. As aid agencies shift towards working with for-profit organizations and Southern NGOs, these insights could be useful in analyzing how these new partners are incorporated into the regimes of international giving.

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Formation of Co-ordinating Committee of Voluntary Organizations 1964-1966

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